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**OFFICERS** Jean Bernhard Buttner  
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David T. Henigson  
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Chief Compliance Officer*  
Stephen R. Anastasio  
*Treasurer*  
Howard A. Brecher  
*Assistant Secretary/  
Assistant Treasurer*

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**ANNUAL REPORT**

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*December 31, 2006*

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*Value Line  
Income and  
Growth  
Fund, Inc.*



**VALUE LINE**

*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 Fund (obtainable from the Distributor).*

**#537649**

## To Our Value Line Income

### To Our Shareholders:

The Value Line Income & Growth Fund (the "Fund") had a total return of 11.07% in 2006, compared with a total return of 15.79% for the Standard & Poor's 500 Index<sup>(1)</sup> and 3.78% for the Lehman Brothers Government/Credit Bond Index<sup>(2)</sup>.

The equity market had a strong second half in 2006, with the entire year's returns for the major indices being generated during this period. Several factors contributed to these gains. First, the Federal Reserve stopped raising the overnight lending rate during the summer, topping out at 5.25%, bringing to an end a monetary tightening cycle that began in 2004. The rate pause was a result of a slowing economic environment in combination with lower inflationary readings. In addition, energy prices began to retreat from their record levels of last summer helping to buoy consumer's purchasing power. Lastly, corporate earnings kept up their healthy growth pace leading to a record for consecutive double-digit gains at 14 quarters in a row. However, given the strong operating margin improvement and the resulting strong earnings growth that U.S. corporations have delivered over the last several years, it would appear that these gains will be more moderate in the year ahead. The large level of corporate cash holdings, combined with sizeable war chests held by private equity investors, should provide decent support to any pullbacks in the market.

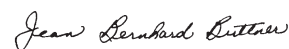
Given this backdrop, we continue to focus our equity investing on dividend paying companies where we believe in the quality of earnings. In addition, we also have given a heavier weighting to companies with foreign sales since

we believe those economies may do better in the year ahead. During the past year, the Fund has slightly increased its fixed income holdings and we have also increased the length of maturity of these holdings to add some intermediate maturities. However, due to the relatively small additional pick up in yield for spread products such as corporate holdings, the Fund has mainly been adding U.S. Treasury debt. The Fund's cash and equivalent holdings were at a relatively high 12% at year-end, but this allows us some flexibility to add promising investments in either the equity or fixed income arenas as they arise.

We believe that in the current investment setting, a well-diversified and balanced approach will produce the best long-term results on a risk/reward basis. This strategy has worked well over the last few years as the Fund has consistently been ranked in the top decile of its Lipper peer group. Preserving capital in the short run, while generating good total returns (income plus growth) over the long term, remains our goal.

As always, we appreciate your continued investment with us.

Sincerely,



Jean Bernhard Buttner  
Chairman and President

January 31, 2007

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

<sup>(2)</sup> 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, and it is not possible to directly invest in this index.

## and Growth Fund Shareholders

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### Economic Observations

The economy slowed markedly over the final three quarters of 2006, with growth decelerating from 5.6% in the opening period, to 2.6% in the second three months, and to just 2.0% and 2.2%, respectively, during the year's closing two quarters. Further Federal Reserve monetary tightening and soaring oil prices were initially responsible for the sharp slowdown in the nation's gross domestic product growth. Later on it was a downward spiral in the housing market that proved to be the primary culprit.

Now, as we start a new year, we find that the Fed is still on hold: oil prices seem to be stabilizing in the \$55-\$65 a barrel range: and there are signs that the aggregate economy is pressing forward at a modest, but seemingly sustainable, rate of 2.5%, or so. In our view, such a rate of

GDP growth would allow corporate earnings to move modestly higher, but would be insufficient to push inflation up sharply.

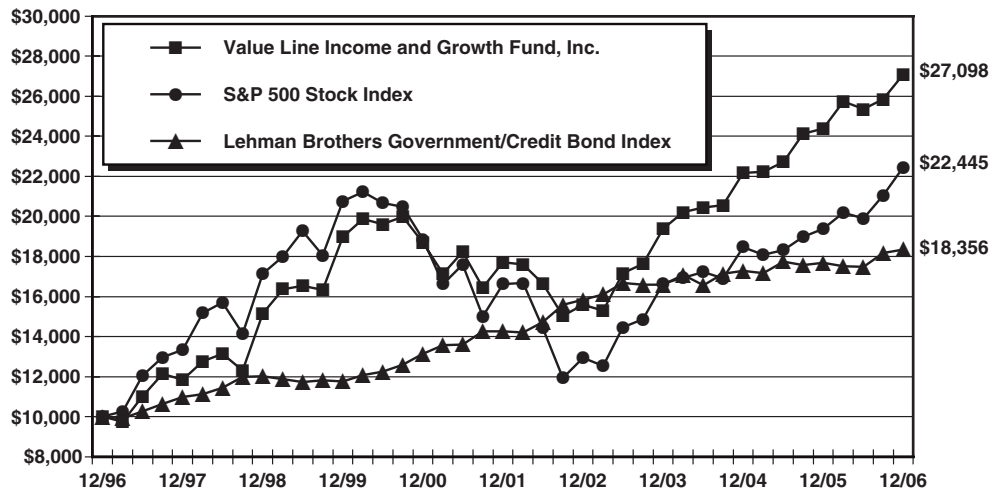
Helping to sustain this prospective level of economic growth should be solid levels of activity in the retail sector, comparative stability in oil prices, and a steady monetary course at the Federal Reserve. The nation's business expansion is likely to be restrained, however, by weak housing demand, softness in the auto sector, and sluggish industrial activity.

Gross domestic product growth along these lines and accompanying subdued inflation probably would have positive ramifications for the stock and bond markets.

*Value Line Income and Growth Fund, Inc.*

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

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



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

\*\* The Lehman Brothers Government/Credit Bond Index is representative of the broad based fixed-income market. It includes non-investment grade government and corporate securities with a maximum final maturity of 10 years. The returns for the Index do not reflect charges, expenses, or taxes, and it is not possible to directly invest in this unmanaged Index. The returns for the indices do 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 12/31/06 .....	11.07%	\$11,107
5 years ended 12/31/06 .....	8.87%	\$15,296
10 years ended 12/31/06 .....	10.48%	\$27,098

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

**FUND EXPENSES (unaudited):**

**Example**

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

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (July 1, 2006 through December 31, 2006).

**Actual Expenses**

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

**Hypothetical Example for Comparison Purposes**

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

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

	Beginning account value 7/1/06	Ending account value 12/31/06	Expenses* paid during period 7/1/06 thru 12/31/06
Actual .....	\$1,000.00	\$1,069.00	\$5.58
Hypothetical (5% return before expenses) .....	\$1,000.00	\$1,019.81	\$5.45

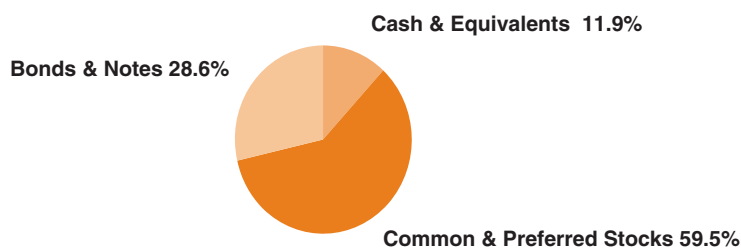
\* Expenses are equal to the Fund's annualized expense ratio of 1.07% multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half period. This expense ratio may differ from the expense ratio shown in the Financial Highlights.

## Portfolio Highlights at December 31, 2006 (unaudited)

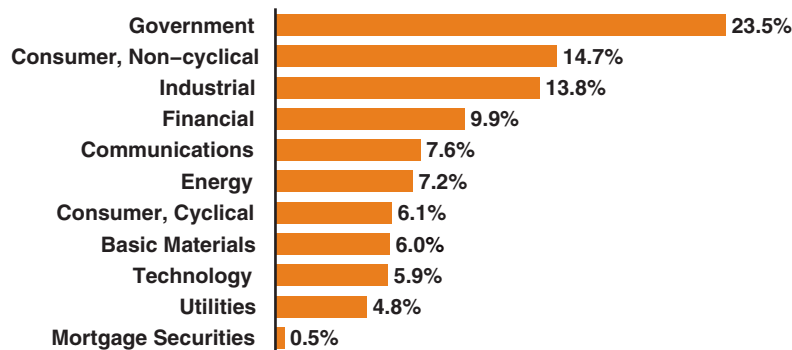
### Ten Largest Common Stock Holdings

Issue	Shares	Value	Percentage of Net Assets
General Electric Co. ....	95,000	\$3,534,950	0.99%
Microsoft Corp. ....	90,000	\$2,687,400	0.75%
Citigroup, Inc. ....	40,000	\$2,228,000	0.62%
Anheuser-Busch Companies, Inc. ....	45,000	\$2,214,000	0.62%
Telefonica S.A. ADR ....	30,000	\$1,912,500	0.53%
Ameriprise Financial, Inc. ....	35,000	\$1,907,500	0.53%
Telecom Corporation of New Zealand Ltd. ADR ....	70,000	\$1,884,400	0.53%
Wal-Mart Stores, Inc. ....	40,000	\$1,847,200	0.52%
Sanofi-Aventis ADR ....	40,000	\$1,846,800	0.52%
Pfizer, Inc. ....	70,000	\$1,813,000	0.51%

### Asset Allocation — Percentage of Net Assets



### Sector Weightings — Percentage of Total Investment Securities



## Schedule of Investments

December 31, 2006

Shares		Value	Shares		Value
<b>COMMON STOCKS (57.8%)</b>			<b>CHEMICAL — BASIC (1.0%)</b>		
<b>AEROSPACE/DEFENSE (0.9%)</b>			20,000	Agrium, Inc. ....	\$ 629,800
25,000	Armor Holdings, Inc.* .....	\$1,371,250	40,000	Dow Chemical Co. (The) .....	1,597,600
20,000	Goodrich Corp. ....	911,000	25,000	E.I. du Pont de Nemours and Co. ....	1,217,750
10,000	Lockheed Martin Corp. ....	920,700			<b>3,445,150</b>
		<b>3,202,950</b>	<b>CHEMICAL — DIVERSIFIED (1.7%)</b>		
<b>AUTO &amp; TRUCK (0.3%)</b>			15,000	3M Co. ....	1,168,950
25,000	Honda Motor Co. Ltd. ADR .....	<b>988,500</b>	15,000	Cabot Corp. ....	653,550
<b>AUTO PARTS (0.5%)</b>			20,000	Cytec Industries, Inc. ....	1,130,200
15,000	Autoliv, Inc. ....	904,500	20,000	Eastman Chemical Co. ....	1,186,200
10,000	Eaton Corp. ....	751,400	55,000	Huntsman Corp.* .....	1,043,350
		<b>1,655,900</b>	30,000	Pall Corp. ....	1,036,500
<b>BANK (0.6%)</b>					<b>6,218,750</b>
30,000	KeyCorp .....	1,140,900	<b>CHEMICAL — SPECIALTY (0.8%)</b>		
14,000	PNC Financial Services Group, Inc. ....	1,036,560	15,000	Arch Chemicals, Inc. ....	499,650
		<b>2,177,460</b>	80,000	Chemtura Corp. ....	770,400
<b>BEVERAGE — ALCOHOLIC (0.9%)</b>			20,000	Lubrizol Corp. (The) .....	1,002,600
45,000	Anheuser-Busch Companies, Inc. ....	2,214,000	20,000	Mosaic Co. (The)* .....	427,200
29,276	Constellation Brands, Inc. Class A*	849,589			<b>2,699,850</b>
		<b>3,063,589</b>	<b>COAL (0.3%)</b>		
<b>BEVERAGE — SOFT DRINK (0.6%)</b>			14,000	Huaneng Power International, Inc. ....	503,020
25,000	Cadbury Schweppes PLC ADR .....	1,073,250	15,000	Peabody Energy Corp. ....	606,150
25,000	Coca-Cola Co. (The) .....	1,206,250			<b>1,109,170</b>
		<b>2,279,500</b>	<b>COMPUTER &amp; PERIPHERALS (0.9%)</b>		
<b>BIOTECHNOLOGY (0.5%)</b>			40,000	Dell, Inc.* .....	1,003,600
25,000	Amgen, Inc.* .....	<b>1,707,750</b>	85,000	EMC Corp.* .....	1,122,000
<b>CANADIAN ENERGY (0.9%)</b>			20,000	Seagate Technology .....	530,000
16,000	Canadian Natural Resources, Inc. ....	851,680	35,000	Western Digital Corp.* .....	716,100
25,000	EnCana Corp. ....	1,148,750			<b>3,371,700</b>
8,000	Suncor Energy, Inc. ....	631,280	<b>COMPUTER SOFTWARE &amp; SERVICES (2.0%)</b>		
25,000	Talisman Energy, Inc. ....	424,750	30,000	Accenture Ltd. Class A .....	1,107,900
		<b>3,056,460</b>	15,000	Cognos, Inc.* .....	636,900
<b>CEMENT &amp; AGGREGATES (0.4%)</b>			25,000	Computer Sciences Corp.* .....	1,334,250
40,000	Cemex S.A. de C.V. ADR* .....	<b>1,355,200</b>	18,920	L-1 Identity Solutions, Inc.* .....	286,260

See Notes to Financial Statements.

## Schedule of Investments

Shares		Value	Shares		Value
90,000	Microsoft Corp. ....	\$ 2,687,400	35,000	American Electric Power Company, Inc. ....	\$1,490,300
25,000	NAVTEQ Corp.* ....	874,250	15,000	OGE Energy Corp. ....	600,000
30,000	Novell, Inc.* ....	186,000	35,000	Westar Energy, Inc. ....	908,600
		<b>7,112,960</b>			<b>3,464,300</b>
	<b>DIVERSIFIED COMPANIES (1.2%)</b>			<b>ELECTRICAL UTILITY — EAST (1.8%)</b>	
35,000	Honeywell International, Inc. ....	1,583,400	16,000	Dominion Resources, Inc. ....	1,341,440
20,000	Pentair, Inc. ....	628,000	15,000	Exelon Corp. ....	928,350
12,000	Teleflex, Inc. ....	774,720	50,000	Pepco Holdings, Inc. ....	1,300,500
40,000	Tyco International Ltd. ....	1,216,000	30,000	PPL Corp. ....	1,075,200
		<b>4,202,120</b>	30,000	Progress Energy, Inc. ....	1,472,400
	<b>DRUG (3.5%)</b>		30,000	TECO Energy, Inc. ....	516,900
30,000	AVI BioPharma, Inc.* ....	95,400			<b>6,634,790</b>
25,000	Forest Laboratories, Inc.* ....	1,265,000		<b>ELECTRICAL UTILITY — WEST (0.3%)</b>	
20,000	Genzyme Corp.* ....	1,231,600	50,000	Xcel Energy, Inc. ....	<b>1,153,000</b>
20,000	GlaxoSmithKline PLC ADR ....	1,055,200		<b>ELECTRONICS (1.6%)</b>	
22,500	Immucor, Inc.* ....	657,675	40,000	Avnet, Inc.* ....	1,021,200
40,000	King Pharmaceuticals, Inc.* ....	636,800	55,000	Celestica, Inc.* ....	429,550
25,000	Mylan Laboratories, Inc. ....	499,000	20,000	Cubic Corp. ....	434,000
70,000	Pfizer, Inc. ....	1,813,000	25,000	LaserCard Corp.* ....	267,750
40,000	Sanofi-Aventis ADR ....	1,846,800	25,000	MEMC Electronic Materials, Inc.* ..	978,500
20,000	Spectrum Pharmaceuticals, Inc.* .....	110,600	15,000	Multi-Fineline Electronix, Inc.* .....	304,350
40,000	Teva Pharmaceutical Industries Ltd. ADR ....	1,243,200	40,000	Paxar Corp.* ....	922,400
30,000	Watson Pharmaceuticals, Inc.* .....	780,900	55,000	Plantronics, Inc. ....	1,166,000
25,000	Wyeth .....	1,273,000	35,000	Valence Technology, Inc.* .....	57,750
		<b>12,508,175</b>			<b>5,581,500</b>
	<b>ELECTRICAL EQUIPMENT (1.8%)</b>			<b>ENTERTAINMENT (0.8%)</b>	
10,000	American Science & Engineering, Inc.* .....	595,100	50,000	CBS Corp. Class B .....	1,559,000
30,000	AVX Corp. ....	443,700	55,000	Time Warner, Inc. ....	1,197,900
35,000	Corning, Inc.* .....	654,850			<b>2,756,900</b>
95,000	General Electric Co. ....	3,534,950		<b>ENTERTAINMENT TECHNOLOGY (0.1%)</b>	
18,000	Thomas & Betts Corp.* .....	851,040	10,000	Avid Technology, Inc.* .....	<b>372,600</b>
40,000	Ultralife Batteries, Inc.* .....	440,400		<b>ENVIRONMENTAL (0.1%)</b>	
		<b>6,520,040</b>	25,000	Tetra Tech, Inc.* .....	<b>452,250</b>
	<b>ELECTRICAL UTILITY — CENTRAL (1.0%)</b>				
10,000	ALLETE, Inc. ....	465,400			

See Notes to Financial Statements.

December 31, 2006

Shares		Value	Shares		Value
<b>FINANCIAL SERVICES — DIVERSIFIED (2.9%)</b>			<b>HEALTH CARE INFORMATION SYSTEMS (0.2%)</b>		
25,000	American International Group, Inc. . . . .	\$ 1,791,500	30,000	IMS Health, Inc. . . . .	\$ 824,400
35,000	Ameriprise Financial, Inc. . . . .	1,907,500	<b>HOUSEHOLD PRODUCTS (0.2%)</b>		
30,000	BISYS Group, Inc. (The)* . . . . .	387,300	30,000	Newell Rubbermaid, Inc. . . . .	868,500
40,000	Citigroup, Inc. . . . .	2,228,000	<b>INFORMATION SERVICES (0.1%)</b>		
10,000	HSBC Holdings PLC ADR . . . . .	916,500	20,000	ProQuest Co.* . . . . .	209,000
30,000	ING Groep NV ADR . . . . .	1,325,100	<b>INSURANCE — LIFE (0.9%)</b>		
40,000	Loews Corp. . . . .	1,658,800	25,000	Lincoln National Corp. . . . .	1,660,000
5,000	Principal Financial Group, Inc. . . . .	293,500	30,000	Manulife Financial Corp. . . . .	1,013,700
		<b>10,508,200</b>	18,843	UnumProvident Corp. . . . .	391,558
<b>FOOD PROCESSING (2.1%)</b>					<b>3,065,258</b>
30,000	Archer-Daniels-Midland Co. . . . .	958,800	<b>INSURANCE — PROPERTY &amp; CASUALTY (1.8%)</b>		
20,000	Chiquita Brands International, Inc. . . . .	319,400	25,000	21st Century Insurance Group . . . . .	441,250
35,000	ConAgra Foods, Inc. . . . .	945,000	45,000	American Financial Group, Inc. . . . .	1,615,950
27,000	General Mills, Inc. . . . .	1,555,200	15,000	Arch Capital Group Ltd.* . . . . .	1,014,150
15,000	Hormel Foods Corp. . . . .	560,100	22,500	Berkley (W.R.) Corp. . . . .	776,475
15,000	Imperial Sugar Co. . . . .	363,150	30,000	HCC Insurance Holdings, Inc. . . . .	962,700
30,000	Sara Lee Corp. . . . .	510,900	15,000	PartnerRe Ltd. . . . .	1,065,450
30,000	Smithfield Foods, Inc.* . . . . .	769,800	12,000	SAFECO Corp. . . . .	750,600
40,000	Tyson Foods, Inc. Class A . . . . .	658,000			<b>6,626,575</b>
30,000	Unilever PLC ADR . . . . .	834,600	<b>MACHINERY (1.8%)</b>		
		<b>7,474,950</b>	10,000	AGCO Corp.* . . . . .	309,400
<b>FOREIGN TELECOMMUNICATIONS (1.6%)</b>			40,000	Briggs & Stratton Corp. . . . .	1,078,000
45,000	Deutsche Telekom AG . . . . .	819,000	10,000	Caterpillar, Inc. . . . .	613,300
70,000	Telecom Corporation of New Zealand Ltd. ADR . . . . .	1,884,400	20,000	Flowserve Corp.* . . . . .	1,009,400
30,000	Telefonica S.A. ADR . . . . .	1,912,500	30,000	Ingersoll-Rand Company Ltd. Class A . . . . .	1,173,900
40,000	Telefonos de Mexico S.A. de C.V. ADR . . . . .	1,130,400	20,000	Lincoln Electric Holdings, Inc. . . . .	1,208,400
		<b>5,746,300</b>	30,000	Watts Water Technologies, Inc. Class A . . . . .	1,233,300
<b>FURNITURE/HOME FURNISHINGS (0.3%)</b>					<b>6,625,700</b>
30,000	La-Z-Boy, Inc. . . . .	356,100	<b>MARITIME (0.5%)</b>		
35,000	Tempur-Pedic International, Inc.* . . . . .	716,100	30,000	Alexander & Baldwin, Inc. . . . .	1,330,200
		<b>1,072,200</b>			

See Notes to Financial Statements.

## Schedule of Investments

Shares		Value	Shares		Value
30,000	OMI Corp. ....	\$ 635,100		<b>NATURAL GAS — DISTRIBUTION (0.1%)</b>	
		<b>1,965,300</b>	21,000	Ferrellgas Partners, L.P. ....	\$ 448,980
	<b>MEDICAL SERVICES (1.6%)</b>			<b>NATURAL GAS — DIVERSIFIED (0.7%)</b>	
35,000	Health Management Associates, Inc. Class A .....	738,850	16,000	Devon Energy Corp. ....	1,073,280
20,000	Health Net, Inc.* .....	973,200	45,000	El Paso Corp. ....	687,600
15,000	Laboratory Corporation of America Holdings* .....	1,102,050	20,000	National Fuel Gas Co. ....	770,800
20,000	Lincare Holdings, Inc.* .....	796,800		<b>2,531,680</b>	
26,000	PSS World Medical, Inc.* .....	507,780		<b>NEWSPAPER (0.8%)</b>	
40,000	Triad Hospitals, Inc.* .....	1,673,200	15,000	Gannett Co, Inc. ....	906,900
	<b>5,791,880</b>		55,000	News Corp. Class B .....	1,224,300
	<b>MEDICAL SUPPLIES (2.5%)</b>		25,000	Tribune Co. ....	769,500
14,011	Baxter International, Inc. ....	649,970		<b>2,900,700</b>	
10,000	Becton Dickinson & Co. ....	701,500		<b>OFFICE EQUIPMENT &amp; SUPPLIES (0.3%)</b>	
12,000	Bio-Rad Laboratories, Inc. Class A* .....	990,240	20,000	Diebold, Inc. ....	932,000
5,000	Boston Scientific Corp.* .....	85,900		<b>OILFIELD SERVICES/EQUIPMENT (2.5%)</b>	
20,000	Johnson & Johnson .....	1,320,400	35,000	Bristow Group, Inc.* .....	1,263,150
15,000	Kinetic Concepts, Inc.* .....	593,250	20,000	ENSCO International, Inc. ....	1,001,200
15,000	Medtronic, Inc. ....	802,650	22,000	GlobalSantaFe Corp. ....	1,293,160
15,000	Molecular Devices Corp.* .....	316,050	25,000	Grant Prideco, Inc.* .....	994,250
15,000	PolyMedica Corp. ....	606,150	30,000	Patterson-UTI Energy, Inc. ....	696,900
24,000	STERIS Corp. ....	604,080	35,000	Rowan Companies, Inc. ....	1,162,000
30,000	Syneron Medical Ltd.* .....	813,900	82,500	RPC, Inc. ....	1,392,600
5,000	Varian Medical Systems, Inc.* .....	237,850	30,000	Superior Energy Services, Inc.* .....	980,400
15,000	Zimmer Holdings, Inc.* .....	1,175,700		<b>8,783,660</b>	
	<b>8,897,640</b>			<b>PETROLEUM — INTEGRATED (1.6%)</b>	
	<b>METALS &amp; MINING DIVERSIFIED (0.9%)</b>		30,000	Chesapeake Energy Corp. ....	871,500
10,000	Alcan, Inc. ....	487,400	20,000	Chevron Corp. ....	1,470,600
20,000	Alliance Resource Partners LP .....	690,400	27,000	Hess Corp. ....	1,338,390
25,000	BHP Billiton Ltd. ADR .....	993,750	15,000	Marathon Oil Corp. ....	1,387,500
20,000	Cameco Corp. ....	809,000	1,000	PetroChina Co. Ltd. ADR .....	140,780
10,000	Titanium Metals Corp.* .....	295,100	5,000	Petroleo Brasileiro S.A. — Petrobras ADR .....	514,950
	<b>3,275,650</b>		5,000	Sasol Ltd. ADR .....	184,500
	<b>METALS FABRICATING (0.0%)</b>			<b>5,908,220</b>	
5,000	Trinity Industries, Inc. ....	176,000			

See Notes to Financial Statements.

December 31, 2006

Shares		Value	Shares		Value
<b>PETROLEUM — PRODUCING (0.6%)</b>					
28,000	Anadarko Petroleum Corp. ....	\$1,218,560	25,000	Home Depot, Inc. (The) .....	<b>\$1,004,000</b>
25,000	Cimarex Energy Co. ....	912,500	<b>RETAIL STORE (0.6%)</b>		
		<b>2,131,060</b>	15,000	Dollar General Corp. ....	240,900
<b>PHARMACY SERVICES (0.3%)</b>					
35,000	CVS Corp. ....	<b>1,081,850</b>	40,000	Wal-Mart Stores, Inc. ....	1,847,200
<b>POWER (0.1%)</b>					
50,000	Evergreen Solar, Inc.* .....	<b>378,500</b>	<b>SEMICONDUCTOR (0.6%)</b>		
<b>PRECIOUS METALS (0.9%)</b>					
25,000	Anglo American PLC ADR .....	610,250	40,000	Intel Corp. ....	810,000
25,000	AngloGold Ashanti Ltd. ADR .....	1,177,250	50,000	Motorola, Inc. ....	1,028,000
30,000	Harmony Gold Mining Company Ltd. ADR* .....	472,500	27,000	O2Micro International Ltd. ADR* ...	230,850
25,000	Newmont Mining Corp. ....	1,128,750			<b>2,068,850</b>
		<b>3,388,750</b>	<b>STEEL — INTEGRATED (0.0%)</b>		
<b>PRECISION INSTRUMENT (0.7%)</b>					
25,000	Applera Corporation — Applied Biosystems Group .....	917,250	10,000	Mueller Water Products, Inc. Class A	<b>148,700</b>
30,000	OSI Systems, Inc.* .....	627,900	<b>TELECOMMUNICATION SERVICES (0.9%)</b>		
40,000	PerkinElmer, Inc. ....	889,200	45,750	BCE, Inc.* .....	1,235,250
		<b>2,434,350</b>	20,000	Dycom Industries, Inc.* .....	422,400
<b>RAILROAD (0.8%)</b>					
24,000	Canadian National Railway Co. ....	1,032,720	7,000	Golden Telecom, Inc. ....	327,880
20,000	Canadian Pacific Railway Ltd. ....	1,055,200	35,000	Telkonet, Inc.* .....	93,450
15,000	Norfolk Southern Corp. ....	754,350	10,000	Turkcell Iletisim Hizmetleri AS ADR	133,800
		<b>2,842,270</b>	40,000	Vodafone Group PLC ADR .....	1,111,200
<b>RECREATION (0.6%)</b>					
30,000	Brunswick Corp. ....	957,000			<b>3,323,980</b>
25,000	Polaris Industries, Inc. ....	1,170,750	<b>TELECOMMUNICATIONS EQUIPMENT (0.7%)</b>		
		<b>2,127,750</b>	40,000	AudioCodes Ltd.* .....	374,800
<b>RETAIL — SPECIAL LINES (0.9%)</b>					
25,000	Borders Group, Inc. ....	558,750	20,000	Mastec, Inc.* .....	230,800
30,000	Cabela's, Inc.* .....	723,900	60,000	Nokia Oyj ADR .....	1,219,200
30,000	Chico's FAS, Inc.* .....	620,700	20,000	Polycom, Inc.* .....	618,200
30,000	Claire's Stores, Inc. ....	994,200			<b>2,443,000</b>
15,000	TJX Companies, Inc. (The) .....	427,800	<b>TRUCKING (0.5%)</b>		
		<b>3,325,350</b>	10,000	Ryder System, Inc. ....	510,600
<b>UTILITY — FOREIGN (0.5%)</b>					
			30,000	Yellow Roadway Corp.* .....	1,131,900
					<b>1,642,500</b>
			35,000	Korea Electric Power Corp. ADR* ..	794,850
			15,873	Scottish Power PLC ADR .....	927,459
					<b>1,722,309</b>

See Notes to Financial Statements.

## Schedule of Investments

Shares		Value	Principal Amount		Value
<b>WATER UTILITY (0.4%)</b>					
25,000	American States Water Co. ....	\$ 965,500			
14,000	California Water Service Group .....	565,600			
		<u>1,531,100</u>			
<b>WIRELESS NETWORKING (0.5%)</b>					
30,000	Alvarion Ltd.* .....	201,600			
40,000	Palm, Inc.* .....	563,600			
20,000	Powerwave Technologies, Inc.* .....	129,000			
50,000	Symbol Technologies, Inc. ....	747,000			
		<u>1,641,200</u>			
<b>TOTAL COMMON STOCKS</b>					
(Cost \$167,184,779) .....		<b>207,046,976</b>			
<b>PREFERRED STOCKS (1.5%)</b>					
<b>BANK (0.3%)</b>					
40,000	KeyCorp Capital IX 6¾% .....	<b>1,009,600</b>			
<b>ELECTRICAL EQUIPMENT (0.2%)</b>					
30,000	General Electric Capital Corp. 4½% <sup>(4)</sup> .....	<b>686,100</b>			
<b>FINANCIAL SERVICES — DIVERSIFIED (0.3%)</b>					
40,000	HSBC Holdings PLC 6½% .....	<b>1,016,000</b>			
<b>INSURANCE — LIFE (0.2%)</b>					
25,000	Metlife, Inc. Series B 6½% .....	<b>657,750</b>			
<b>R.E.I.T. (0.2%)</b>					
30,000	Health Care, Inc. Series F 7½% .....	<b>776,100</b>			
<b>SECURITIES BROKERAGE (0.3%)</b>					
50,000	Lehman Brothers Holdings, Inc. Series G 6.07% <sup>(2)</sup> .....	<b>1,292,000</b>			
<b>TOTAL PREFERRED STOCKS</b>					
(Cost \$5,316,864) .....		<b>5,437,550</b>			
<b>CONVERTIBLE PREFERRED STOCKS (0.2%)</b>					
<b>CHEMICAL — DIVERSIFIED (0.2%)</b>					
15,000	Huntsman Corp. 5.00%, Pfd. ....	<b>624,375</b>			
<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b>					
(Cost \$658,599) .....		<b>624,375</b>			
<b>CORPORATE BONDS &amp; NOTES (2.9%)</b>					
<b>CHEMICAL — SPECIALTY (0.3%)</b>					
\$1,175,000	Lubrizol Corp., 5.88%, 12/1/08 .....			<b>\$ 1,181,891</b>	
<b>ELECTRICAL EQUIPMENT (1.1%)</b>					
2,000,000	General Electric Capital Corp., 5.50%, 11/15/11 .....			1,996,684	
2,000,000	Thomas & Betts Corp., 6.39%, 2/10/09 .....			2,032,048	
				<u>4,028,732</u>	
<b>ENTERTAINMENT (0.4%)</b>					
1,500,000	Liberty Media Corp., 7.88%, 7/15/09 .....			<b>1,564,236</b>	
<b>FOOD PROCESSING (0.3%)</b>					
1,000,000	Sensient Technologies Corp., 6.50%, 4/1/09 .....			<b>993,837</b>	
<b>INDUSTRIAL SERVICES (0.3%)</b>					
1,000,000	Sabre Holdings Corp., 7.35%, 8/1/11 .....			<b>966,544</b>	
<b>INSURANCE - LIFE (0.5%)</b>					
2,000,000	Principal Life Income Funding Trusts, 3.94%, 4/1/16 <sup>(2)</sup> .....			<b>1,805,900</b>	
<b>TOTAL CORPORATE BONDS &amp; NOTES</b>					
(Cost \$10,819,293) .....				<b>10,541,140</b>	
<b>CONVERTIBLE CORPORATE BONDS &amp; NOTES (4.5%)</b>					
<b>AEROSPACE/DEFENSE (0.4%)</b>					
1,500,000	EDO Corp., 4.00%, 11/15/25 .....			<b>1,443,750</b>	
<b>AIR TRANSPORT (0.7%)</b>					
1,500,000	ExpressJet Holdings, Inc., 4.25%, 8/1/23 .....			1,415,625	
1,250,000	JetBlue Airways Corp., 3.50%, 7/15/33 .....			1,200,000	
				<u>2,615,625</u>	

See Notes to Financial Statements.

December 31, 2006

Principal Amount		Value	Principal Amount		Value
	<b>APPAREL (0.4%)</b>			<b>TELECOMMUNICATIONS EQUIPMENT (0.4%)</b>	
\$1,500,000	Kellwood Co. 3.50%, 6/15/34 <sup>(1)</sup> .....	\$1,406,250	1,500,000	Agere Systems, Inc. 6.50%, 12/15/09 .....	\$ 1,526,250
	<b>CABLE TV (0.4%)</b>			<b>TOTAL CONVERTIBLE CORPORATE BONDS &amp; NOTES</b>	
1,500,000	EchoStar Communications Corp. 5.75%, 5/15/08 ...	1,528,125		(Cost \$15,701,089) .....	16,088,000
	<b>COMPUTER &amp; PERIPHERALS (0.5%)</b>			<b>U.S. TREASURY OBLIGATIONS (14.9%)</b>	
800,000	Adaptec, Inc. 0.75%, 12/22/23 .....	721,000	3,000,000	U.S. Treasury Notes, 4.88%, 8/31/08 .....	2,999,766
1,000,000	Mercury Computer Systems, Inc. (Senior Notes), 2.00%, 5/1/24 ...	900,000	7,000,000	U.S. Treasury Notes, 4.50%, 2/15/09 .....	6,957,615
		<u>1,621,000</u>	4,000,000	U.S. Treasury Notes, 4.88%, 5/15/09 .....	4,008,752
	<b>COMPUTER SOFTWARE &amp; SERVICES (0.3%)</b>		7,000,000	U.S. Treasury Notes, 5.50%, 5/15/09 .....	7,117,033
1,000,000	Ciber, Inc. 2.88%, 12/15/23	923,750	8,000,000	U.S. Treasury Notes, 4.50%, 11/15/10 .....	7,943,128
	<b>DRUG (0.8%)</b>		9,000,000	U.S. Treasury Notes, 4.75%, 3/31/11 .....	9,015,120
1,500,000	Sepracor, Inc. 5.00%, 2/15/07 .....	1,492,500	6,103,380	U.S. Treasury Notes, 2.38%, 4/15/11 <sup>(3)</sup> .....	6,079,064
1,500,000	Valeant Pharmaceuticals International 4.00%, 11/15/13 .....	1,428,750	6,000,000	U.S. Treasury Notes, 4.88%, 4/30/11 .....	6,038,904
		<u>2,921,250</u>	3,000,000	U.S. Treasury Notes, 5.13%, 6/30/11 .....	3,050,625
	<b>INDUSTRIAL SERVICES (0.3%)</b>			<b>TOTAL U.S. TREASURY OBLIGATIONS</b>	
1,000,000	Quanta Services, Inc. 4.00%, 7/1/07 .....	985,000		(Cost \$52,981,105) .....	53,210,007
	<b>RETAIL - AUTOMOTIVE (0.1%)</b>			<b>U.S. GOVERNMENT AGENCY OBLIGATIONS (6.3%)</b>	
300,000	PEP Boys-Manny Moe & Jack (The), 4.25%, 6/1/07 .....	297,000	2,000,000	Federal Home Loan Bank, 3.50%, 3/2/07 .....	1,994,448
	<b>SEMICONDUCTOR (0.2%)</b>		3,000,000	Federal Home Loan Bank, 3.88%, 6/8/07 .....	2,983,485
1,000,000	Vitesse Semiconductor Corp. 1.50%, 10/1/24 ...	820,000	3,000,000	Federal Home Loan Bank, 4.00%, 11/9/07 .....	2,969,205

See Notes to Financial Statements.

# Schedule of Investments

## December 31, 2006

Principal Amount		Value	Principal Amount		Value
\$ 2,500,000	Federal Home Loan Bank, 4.38%, 10/3/08 .....	\$ 2,469,698	\$18,000,000	With UBS Securities, LLC, 4.50%, dated 12/29/06, due 1/02/07, delivery value \$18,009,000 (collateralized by \$13,702,000 U.S. Treasury Notes 8.125%, due 5/15/21, with a value of \$18,373,963) ...	\$ 18,000,000
3,000,000	Federal Home Loan Bank, 4.50%, 10/14/08 .....	2,971,746			
2,500,000	Federal Home Loan Bank, 4.63%, 11/21/08 .....	2,481,325			
2,000,000	Federal Home Loan Bank, 4.75%, 12/12/08 .....	1,989,492			
1,578,434	Federal Home Loan Bank, 4.75%, 10/25/10 .....	1,567,590			
3,000,000	Federal Home Loan Bank, 7.50%, 12/27/21 .....	<u>2,973,750</u>			
	<b>TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS (Cost \$22,557,109) .....</b>	<b><u>22,400,739</u></b>		<b>U.S. GOVERNMENT AGENCY OBLIGATIONS (1.1%)</b>	
	<b>TOTAL INVESTMENT SECURITIES (88.1%) (Cost \$275,218,838) ....</b>	<b><u>315,348,787</u></b>	4,000,000	Federal Home Loan Bank, 5.55%, 8/8/07 .....	<b><u>4,000,000</u></b>
				<b>TOTAL SHORT-TERM INVESTMENTS (Cost \$41,900,000) .....</b>	<b><u>41,900,000</u></b>
				<b>CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (0.2%)</b>	<b><u>700,980</u></b>
				<b>NET ASSETS (100%)</b>	<b><u>\$357,949,767</u></b>
				<b>NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$357,949,767 ÷ 41,765,201 shares outstanding)</b>	<b><u>\$ 8.57</u></b>
				* <i>Non-income producing.</i>	
				(1) <i>Step Bond — The rate shown is as of December 31, 2006 and will reset at a future date.</i>	
				(2) <i>Rate at December 31, 2006. Floating rate changes monthly.</i>	
				(3) <i>Treasury Inflation Protected Security (TIPS).</i>	
				(4) <i>Multi-coupon preferred security.</i>	
				<i>ADR American Depositary Receipt</i>	

See Notes to Financial Statements.

### Statement of Assets and Liabilities at December 31, 2006

<b>Assets:</b>	
Investment securities, at value (Cost - \$275,218,838) .....	\$315,348,787
Repurchase agreements (Cost - \$37,900,000) .....	37,900,000
Other short-term investments (Cost - \$4,000,000) .....	4,000,000
Cash .....	194,566
Interest and dividends receivable .....	1,408,329
Receivable for capital shares sold .....	501,366
Receivable for securities sold .....	200,565
<b>Total Assets</b> .....	<u>359,553,613</u>
<b>Liabilities:</b>	
Payable for securities purchased .....	1,042,863
Payable for capital shares repurchased .....	182,915
Accrued expenses:	
Advisory fee .....	202,803
Service and distribution plan fees payable .....	76,343
Directors' fees and expenses .....	7,542
Other .....	91,380
<b>Total Liabilities</b> .....	<u>1,603,846</u>
<b>Net Assets</b> .....	<u>\$357,949,767</u>
<b>Net assets consist of:</b>	
Capital stock, at \$1.00 par value (authorized 50,000,000, outstanding 41,765,201 shares) .....	\$ 41,765,201
Additional paid-in capital .....	273,642,760
Undistributed net investment income .....	249,814
Accumulated net realized gain on investments .....	2,162,199
Net unrealized appreciation of investments and foreign currency translations .....	40,129,793
<b>Net Assets</b> .....	<u>\$357,949,767</u>
<b>Net Asset Value, Offering and Redem- ption Price Per Outstanding Share</b> <b>(\$357,949,767 ÷ 41,765,201 shares</b> <b>outstanding)</b> .....	<u>\$ 8.57</u>

### Statement of Operations for the Year Ended December 31, 2006

<b>Investment Income:</b>	
Interest .....	\$ 6,696,992
Dividends (Net of foreign withholding tax of \$81,939) .....	4,197,716
<b>Total Income</b> .....	<u>10,894,708</u>
<b>Expenses:</b>	
Advisory fee .....	2,212,832
Service and distribution plan fee .....	831,860
Transfer agent fees .....	141,500
Printing and postage .....	75,124
Custodian fees .....	73,579
Registration and filing fees .....	65,318
Auditing and legal fees .....	59,699
Insurance .....	34,925
Directors' fees and expenses .....	33,223
Telephone .....	8,424
Other .....	11,747
<b>Total Expenses Before Custody Credits</b> ..	<u>3,548,231</u>
Less: Custody Credits .....	(9,381)
<b>Net Expenses</b> .....	<u>3,538,850</u>
<b>Net Investment Income</b> .....	<u>7,355,858</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Exchange Transactions:</b>	
Net Realized Gain .....	18,111,994
Change in Unrealized Appreciation/ (Depreciation) .....	8,775,385
<b>Net Realized Gain and Change in Net Unrealized Appreciation/(Depreciation) on Investments and Foreign Exchange Transactions</b> .....	<u>26,887,379</u>
<b>Net Increase in Net Assets from Operations</b> .....	<u>\$34,243,237</u>

See Notes to Financial Statements.

**Statement of Changes in Net Assets  
for the Years Ended December 31, 2006 and 2005**

	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005*</b>
<b>Operations:</b>		
Net investment income .....	\$ 7,355,858	\$ 4,483,292
Net realized gain on investments .....	18,111,994	20,734,371
Change in net unrealized appreciation/depreciation .....	8,775,385	(994,592)
Net increase in net assets from operations .....	<u>34,243,237</u>	<u>24,223,071</u>
<b>Distributions to Shareholders:</b>		
Net investment income .....	(8,750,631)	(4,380,308)
Net realized gain from investment transactions .....	(19,391,781)	(20,084,333)
<b>Total Distributions</b> .....	<u>(28,142,412)</u>	<u>(24,464,641)</u>
<b>Capital Share Transactions:</b>		
Proceeds from sale of shares .....	115,457,405	51,309,683
Proceeds from reinvestment of distributions to shareholders .....	25,860,357	22,013,294
Cost of shares repurchased .....	(66,365,012)	(26,744,105)
Increase from capital share transactions .....	<u>74,952,750</u>	<u>46,578,872</u>
<b>Total Increase in Net Assets</b> .....	<u>81,053,575</u>	<u>46,337,302</u>
<b>Net Assets:</b>		
Beginning of year .....	<u>276,896,192</u>	<u>230,558,890</u>
End of year .....	<u>\$357,949,767</u>	<u>\$276,896,192</u>
<b>Undistributed net investment income, at end of year</b> .....	<u>\$ 249,814</u>	<u>\$ 372,024</u>

\* Numbers were previously presented rounded to thousands.

See Notes to Financial Statements.

## Notes to Financial Statements

December 31, 2006

### 1. Significant Accounting Policies

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

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

The Board of Directors has determined that the value of bonds and other fixed-income securities be calculated on the valuation date by reference to valuations obtained from

an independent pricing service which determines valuations for normal institutional-size trading units of debt securities, without exclusive reliance upon quoted prices. This service takes into account appropriate factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data in determining valuations.

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 the collateral on a daily basis to ensure the adequacy of the collateral. In the event of default of the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

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

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement

## Notes to Financial Statements

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

**(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 and warranties which provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

### 2. Capital Share Transactions, Dividends and Distributions to Shareholders

Transactions in capital stock were as follows:

	Year Ended December 31, 2006	Year Ended December 31, 2005
Shares sold .....	13,266,329	5,953,451
Shares issued to shareholders in reinvestment of dividends and distributions ....	3,013,133	2,628,466
Shares repurchased	(7,604,969)	(3,114,586)
Net increase .....	8,674,493	5,467,331
Dividends per share from net investment income .....	\$ .2250	\$ .1500
Distributions per share from net realized gains ...	\$ .4871	\$ .6555

### 3. Purchases and Sales of Securities

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

## December 31, 2006

	Year Ended December 31, 2006
<b>PURCHASES:</b>	
U.S. Treasury & Government Agency Obligations .....	\$ 56,029,651
Other Investment Securities .....	170,173,082
	<u>\$226,202,733</u>
<b>SALES &amp; REDEMPTIONS:</b>	
U.S. Treasury & Government Agency Obligations .....	\$ 16,199,278
Other Investment Securities .....	158,394,755
	<u>\$174,594,033</u>

**4. Income Taxes**

At December 31, 2006, information on the tax components of capital is as follows:

Cost of investments for tax purposes .....	<u>\$317,412,364</u>
Gross tax unrealized appreciation .....	\$ 42,870,312
Gross tax unrealized depreciation .....	<u>(3,033,889)</u>
Net tax unrealized appreciation on investments .....	<u>\$ 39,836,423</u>
Undistributed ordinary income .....	<u>\$ 2,153,580</u>
Undistributed long-term gain .....	<u>\$ 551,201</u>

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

Permanent book-tax differences relating to the current year were reclassified within the composition of the net asset accounts. The Fund increased additional paid-in capital by approximately \$71,810, increased undistributed net investment income by approximately \$1,272,563 and decreased accumulated net realized gain by \$1,344,373. Net assets were not affected by this reclassification. These reclasses are due to differing treatments of distributions, investments in partnerships, and real estate investment trusts for tax purposes.

The tax composition of distributions to shareholders for the years ended December 31, 2006 and 2005 were as follows:

	2006	2005
Ordinary income .....	\$11,643,776	\$ 7,889,645
Long-term capital gain .....	16,498,636	16,574,996
	<u>\$28,142,412</u>	<u>\$24,464,641</u>

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

An advisory fee of \$2,212,832 was paid or payable to Value Line, Inc., the Fund's investment adviser (the "Adviser"), for the year ended December 31, 2006. This was computed at the rate of 0.70% of the first \$100 million of the Fund's average daily net assets plus 0.65% on the excess thereof, and paid monthly. The Adviser provides research, investment programs and supervision of the investment portfolio and pays costs of administrative services, office space, equipment, and compensation of administrative, bookkeeping, and clerical personnel necessary for managing the affairs of the Fund. The Adviser also provides persons, satisfactory to the Fund's Board of Directors, to act as officers and employees of the Fund and pays their salaries 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"), 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 December 31, 2006, fees amounting to \$831,860 were paid or payable to the Distributor under this Plan.

For the year ended December 31, 2006, the Fund's expenses were reduced by \$9,381 under a custody credit arrangement with the custodian.

## Notes to Financial Statements

December 31, 2006

Certain officers and directors of the Adviser and the Distributor are also officers and directors of the Fund.

The Adviser and/or affiliated companies and the Value Line, Inc. Profit Sharing and Savings Plan owned 411,126 shares of the Fund's capital stock, representing less than

1% of the outstanding shares at December 31, 2006. In addition, officers and directors of the Fund as a group owned 3,514 Shares of the Fund, representing less than 1% of the outstanding shares.

## Financial Highlights

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

	Years Ended December 31,				
	2006	2005	2004	2003	2002
<b>Net asset value, beginning of year</b> .....	\$ 8.37	\$ 8.35	\$ 8.23	\$ 7.00	\$ 8.17
<b>Income (loss) from investment operations:</b>					
Net investment income .....	0.19	0.15	0.11	0.11	0.11
Net gains or losses on securities (both realized and unrealized) .....	0.73	0.68	1.06	1.59	(1.09)
Total from investment operations .....	0.92	0.83	1.17	1.70	(0.98)
<b>Less distributions:</b>					
Dividends from net investment income .....	(0.23)	(0.15)	(0.11)	(0.11)	(0.11)
Distributions from net realized gains .....	(0.49)	(0.66)	(0.94)	(0.36)	(0.08)
Total distributions .....	(0.72)	(0.81)	(1.05)	(0.47)	(0.19)
<b>Net asset value, end of year</b> .....	\$ 8.57	\$ 8.37	\$ 8.35	\$ 8.23	\$ 7.00
<b>Total return</b> .....	11.07%	9.98%	14.39%	24.43%	(12.03)%
<b>Ratios/Supplemental Data:</b>					
Net assets, end of year (in thousands) .....	\$357,950	\$276,896	\$230,559	\$208,327	\$189,002
Ratio of expenses to average net assets <sup>(1)</sup> .....	1.07%	1.09%	1.11%	1.15%	1.15%
Ratio of net investment income to average net assets .....	2.21%	1.81%	1.31%	1.37%	1.41%
Portfolio turnover rate .....	62%	71%	103%	106%	155%

<sup>(1)</sup> Ratio reflects expenses grossed up for custody credit arrangement. The ratio of expenses to average net assets net of custody credits would have been 1.06% for the year ended December 31, 2006, 1.14% for the year ended December 31, 2003 and would not have changed for the years ended December 31, 2005, 2004, and 2002.

See Notes to Financial Statements.

## Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Value Line Income and Growth Fund, Inc. (the "Fund") at December 31, 2006, 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 December 31, 2006 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York

February 26, 2007

## **Federal Tax Status of Distributions (unaudited)**

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For corporate taxpayers, 19.23% of the ordinary income distributions paid during the calendar year 2006, qualify for the corporate dividends received deductions

During the calendar year 2006, 29.91% of the ordinary income distribution are treated as qualified dividends.

During the calendar year 2006, the Fund distributed \$16,498,636 of long-term capital gain to its shareholders.

*Value Line Income and Growth Fund, Inc.*

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

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

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## Management of the Fund

### MANAGEMENT INFORMATION

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

Name, Address, and Age	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Director
<b>Interested Director*</b>				
Jean Bernhard Buttner Age 72	Chairman of the Board of Directors and President	Since 1983	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.
<b>Non-Interested Directors</b>				
John W. Chandler 1611 Cold Spring Rd. Williamstown, MA 01267 Age 83	Director	Since 1991	Consultant, Academic Search Consultation Service, Inc., 1994-2004; 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	Customer Support Analyst, Duke Power Company.	None
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 Age 75	Director	Since 2000	Professor of History, Williams College, (1961-2002); Professor Emeritus since 2002. President Emeritus since 1994 and President, (1985-1994); Chairman (1993-1997) and Interim President (2002-2003) of the American Council of Learned Societies. Trustee since 1997 and Chairman of the Board since 2005, National Humanities Center.	Berkshire Life Insurance Company of America
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 1983	Chairman, Institute for Political Economy.	A. Schulman Inc. (plastics)
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 Age 58	Director	Since 1996	Senior Financial Adviser, Veritable L.P. (Investment Adviser) since 2004; Senior Financial Adviser Hawthorn, (2001–2004).	None
<b>Officers</b>				
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 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 14 Value Line Funds.	
Howard A. Brecher Age 53	Assistant Secretary/ Assistant Treasurer	Since 2005	Director, Vice President and Secretary of the Adviser. Director and Vice President of the Distributor.	

\* *Mrs. Butner 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

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**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, 9am – 5pm CST, Monday – Friday, or visit us at [www.valueline.com](http://www.valueline.com). Read the prospectus carefully before you invest or send money.