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**S E M I - A N N U A L R E P O R T**

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*June 30, 2012*

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**DISTRIBUTOR** EULAV Securities LLC  
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*President*  
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*Chief Compliance Officer*  
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*Treasurer and Secretary*

# *Value Line U.S. Government Money Market Fund, Inc.*

*An investment in Value Line U.S. Government Money Market Fund, Inc. 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.*

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

#00086628



**ValueLine***funds*

A FAMILY OF NO-LOAD MUTUAL FUNDS

## To Our Value Line U.S. Government

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### To Our Shareholders (unaudited):

Enclosed is your semi-annual report for the six months ended June 30, 2012. I encourage you to carefully review this report, which includes economic observations, your Fund's performance data and highlights, schedule of investments, and financial statements.

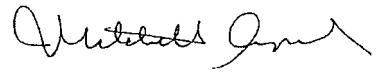
For the six months ended June 30, 2012, the total return of the Value Line U.S. Government Money Market Fund was 0.01% as compared to the Lipper average U.S. Government money market fund return of 0.01% for the same six-month period\*. The Federal Reserve Board's policy of keeping short interest rates low that has been in place since 2009 has continued throughout this year, and is expected to be in place through 2014. Consequently money market fund rates have remained consistently low. As a result, similar to many other money market funds, the Advisor has continued its policy of waiving its management fee within this extremely low short-term rate environment. The Advisor is also exploring strategic alternatives for the fund, such as a merger with another money market fund, which would benefit shareholders.

As of June 30, 2012, the total net assets of the Fund were \$67.1 million and the average days to maturity was 30 days. The fund continues to maintain a strong credit

quality/low risk profile. We invest in the highest quality securities while looking for opportunities for yield enhancement. U.S. Government and U.S. Agency obligations comprise more than 90% of holdings as of June 30, 2012. The remaining assets are invested in top tier commercial paper rated at least A-1/P-1 by S&P and Moody's, respectively

All of us at the Advisor recognize that it has been difficult navigating the capital markets in 2012, and appreciate having had the opportunity to serve your investment needs.

Sincerely,



Mitchell Appel, President



Liane Rosenberg, Portfolio Manager

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\* Lipper Money Market Funds invest in high quality financial instruments rated in the top two investment grades with dollar-weighted average maturities of less than 90 days with the intent of maintaining a constant NAV. An investment cannot be made in a Lipper average.

# Money Market Fund Shareholders

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## Economic Highlights (unaudited)

The first half of 2012 saw a robust U.S. stock market, with the S&P 500 returning 9.49% for the period. The strength of the market was evident despite some strong headwinds, including a weakening outlook for global economic growth. Several members of the European Union continued to face a serious debt crisis including Greece, Portugal, Italy, and Spain. Tough austerity measures have been implemented but it is still unclear as to the timetable for the resolution of the debt crisis most severely affecting southern Europe.

At home, GDP grew 2.0% for the first quarter of the year, slowing to 1.5% for the second quarter. A sluggish labor market remains the primary stumbling block for the U.S. economy which seems to be in the summer doldrums. Employment growth averaged 75,000 per month in the second quarter, down from a monthly average of 226,000 in the first quarter. The higher jobs number of the first quarter did allow for a modest improvement in the overall unemployment rate, dropping from 8.5% at year-end 2011 to 8.2% on June 30, 2012.

Weakness in overall job creation has led to a decline in consumer confidence in 5 of the last 6 months. However, despite this decline in consumer confidence, consumers have reported no plans to slash their spending, although spending dropped slightly in May, the first drop in

11 months. It is critical that consumers continue to spend as they account for 70% of economic activity. Falling prices at the pump may continue to provide spending support for this critical component of economic growth.

In addition to lower gas prices, the housing market has been a bit of a bright spot for the consumer, albeit in selective areas of the country. There have been recent signs of recovery including sales of new single family homes in May that were at its highest level in more than two years. May's much bigger than expected increase also reduced the supply of newly built houses to its lowest point since before the housing crisis. While homebuilding is unlikely to take off until the unemployment rate recedes, the reduced supply of homes may pave the way for some firming of housing prices.

U.S. Treasury bond prices also defied those investors expecting a weakened performance from the U.S. government's loss of its AAA rating last year from the Standard and Poor's rating agency. The other major rating agencies, Moody's and Fitch, maintained their AAA ratings for U.S. government debt. Many investors were drawn to the relative safety of U.S. Treasury bonds amidst the uncertainty of world economic events. While the 10-year U.S. Treasury bond hovered around a 2% yield in the first quarter, it had touched a 1.5% yield by June.

## 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 (January 1, 2012 through June 30, 2012).

### 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 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 1/1/12	Ending account value 6/30/12	Expenses paid during period 1/1/12 thru 6/30/12*
Actual . . . . .	\$1,000.00	\$1,000.05	\$0.49
Hypothetical (5% return before expenses) . . . . .	\$1,000.00	\$1,024.38	\$0.49

\* Expenses are equal to the Fund’s annualized expense ratio of 0.10% multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period. This expense ratio may differ from the expense ratio shown in the Financial Highlights.

# Schedule of Investments (unaudited)

Principal Amount		Yield†	Maturity Date	Value
<b>U.S. GOVERNMENT AGENCY AND OBLIGATIONS (24.8%)</b>				
\$ 1,000,000	Federal Home Loan Bank Discount Notes .....	0.14%	9/5/12	\$ 999,753
750,000	Federal Home Loan Bank Discount Notes .....	0.15	9/5/12	749,794
1,000,000	Federal Home Loan Bank Discount Notes .....	0.13	9/14/12	999,740
1,000,000	Federal Home Loan Bank Discount Notes .....	0.15	12/19/12	999,287
1,100,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.11	7/2/12	1,099,997
166,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.15	8/31/12	165,959
2,000,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.16	9/10/12	1,999,388
1,000,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.15	9/24/12	999,646
1,500,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.17	10/1/12	1,499,367
1,450,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.14	10/11/12	1,449,425
1,000,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.15	11/19/12	999,412
2,000,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.14	12/3/12	1,998,794
1,000,000	Federal Home Loan Mortgage Corporation Discount Notes ..	0.16	12/17/12	999,272
710,000	Federal National Mortgage Association Discount Notes ....	0.13	8/8/12	709,903
1,000,000	Federal National Mortgage Association Discount Notes ....	0.15	12/5/12	999,368
<b>16,676,000</b>	<b>TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS</b> <b>(Amortized Cost \$16,669,105) .....</b>			<b>16,669,105</b>
<b>COMMERCIAL PAPER (8.7%)</b>				
210,000	Abbot Laboratories .....	0.14	7/17/12	209,987
420,000	Bank of Nova Scotia NY .....	0.15	7/24/12	419,960
1,000,000	Brown-Forman Corp. ....	0.16	7/20/12	999,915
1,000,000	Emerson Electric Co. ....	0.15	7/3/12	999,992
180,000	General Electric Capital Co. ....	0.24	8/16/12	179,945
500,000	JPMorgan Chase & Co. ....	0.15	7/2/12	499,998
1,000,000	MetLife Short Term Funding LLC .....	0.17	8/6/12	999,830
500,000	Northwest Natural Gas Co. ....	0.14	7/9/12	499,984
1,000,000	Novartis Securities Investment Ltd. ....	0.16	8/6/12	999,840
<b>5,810,000</b>	<b>TOTAL COMMERCIAL PAPER</b> <b>(Amortized Cost \$5,809,451) .....</b>			<b>5,809,451</b>
<b>REPURCHASE AGREEMENT (66.3%)</b>				
44,500,000	With Morgan Stanley, 0.14%, dated 06/29/12, due 07/02/12, delivery value \$44,500,519 (collateralized by \$39,820,000 U.S. Treasury Notes 3.1250% due 05/15/21, with a value of \$45,544,666) .....			<b>44,500,000</b>
<b>44,500,000</b>	<b>TOTAL REPURCHASE AGREEMENTS</b> <b>(Amortized Cost \$44,500,000) .....</b>			<b>44,500,000</b>
<b>TOTAL INVESTMENT SECURITIES (99.8%)</b> <b>(Cost \$66,978,556) .....</b>				
				<b>66,978,556</b>

See Notes to Financial Statements.

June 30, 2012

Principal Amount	Yield†	Maturity Date	Value
<b>CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (0.2%)</b> .....			<b>\$ 119,222</b>
<b>NET ASSETS (100.0%)</b> .....			<b>\$ 67,097,778</b>
<b>NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$67,097,778 ÷ 67,132,861 shares outstanding)</b> .....			<b>\$ 1.00</b>

† The rate shown on discount securities represents the yield or rate at the end of the reporting period.

**Statement of Assets and Liabilities  
at June 30, 2012 (unaudited)**

<b>Assets:</b>	
Investment securities, at value	
(Cost - \$22,478,556) .....	\$ 22,478,556
Repurchase agreement	
(Cost - \$44,500,000) .....	44,500,000
Cash .....	239,647
Receivable from Adviser .....	30,882
Prepaid expenses .....	15,503
Receivable for capital shares sold .....	7,762
Interest receivable .....	346
<b>Total Assets</b> .....	<u>67,272,696</u>
<b>Liabilities:</b>	
Payable for capital shares redeemed .....	90,120
Dividends payable to shareholders .....	46
Accrued expenses:	
Directors' fees and expenses .....	395
Other .....	84,357
<b>Total Liabilities</b> .....	<u>174,918</u>
<b>Net Assets</b> .....	<u>\$ 67,097,778</u>
<b>Net assets consist of:</b>	
Capital stock, at \$0.10 par value	
(authorized 2 billion shares, outstanding 67,132,861 shares) .....	\$ 6,713,286
Additional paid-in capital .....	60,379,129
Undistributed net investment income .....	5,363
<b>Net Assets</b> .....	<u>\$ 67,097,778</u>
<b>Net Asset Value, Offering and Redemption Price per Outstanding Share</b> .....	
	<u>\$ 1.00</u>

**Statement of Operations  
for the Six Months Ended June 30, 2012 (unaudited)**

<b>Investment Income:</b>	
Interest .....	\$ 37,568
<b>Expenses:</b>	
Advisory fee .....	137,927
Auditing and legal fees .....	80,134
Printing and postage .....	36,460
Transfer agent fees .....	35,820
Registration and filing fees .....	15,366
Custodian fees .....	11,225
Insurance .....	8,517
Directors' fees and expenses .....	7,741
Other .....	8,131
<b>Total Expenses Before Fees</b>	<u>341,321</u>
Waived and Custody Credits .....	341,321
Less: Reimbursement by the Adviser ...	(169,219)
Less: Advisory Fees Waived .....	(137,927)
Less: Custody Credits .....	(39)
<b>Net Expenses</b> .....	<u>34,136</u>
<b>Net Investment Income</b> .....	<u>3,432</u>
<b>Net Increase in Net Assets from Operations</b> .....	<u>\$ 3,432</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets  
for the Six Months Ended June 30, 2012 (unaudited) and for the Year Ended December 31, 2011

	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011
<b>Operations:</b>		
Net investment income .....	\$ 3,432	\$ 8,363
<b>Distributions to Shareholders:</b>		
Net investment income .....	(3,457)	(11,368)
Net realized gain from investment transactions .....	—	(4,589)
<b>Net decrease in net assets from distributions to shareholders .....</b>	<b>(3,457)</b>	<b>(15,957)</b>
<b>Capital Share Transactions:</b>		
Proceeds from sale of shares .....	4,575,028	28,474,869
Proceeds from reinvestment of dividends and distributions to shareholders ..	3,119	15,060
Cost of shares redeemed .....	(10,000,013)	(58,038,394)
<b>Net decrease in net assets from capital share transactions .....</b>	<b>(5,421,866)</b>	<b>(29,548,465)</b>
<b>Total Decrease in Net Assets .....</b>	<b>(5,421,891)</b>	<b>(29,556,059)</b>
<b>Net Assets:</b>		
Beginning of period .....	\$ 72,519,669	\$ 102,075,728
End of period .....	\$ 67,097,778	\$ 72,519,669
<b>Undistributed net investment income, at end of period .....</b>	<b>\$ 5,363</b>	<b>\$ 5,388</b>



# Notes to Financial Statements (unaudited)

## 1. Significant Accounting Policies

The Value Line U.S. Government Money Market Fund, Inc., (the “Fund”) is registered under the Investment Company Act of 1940, as amended, as an open-end, diversified management investment company. The Fund’s investment objective is to secure as high a level of current income as is consistent with preservation of capital and liquidity.

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 held by the Fund are valued on the basis of amortized cost, which approximates market value and does not take into account unrealized gains or losses. This involves valuing an instrument at cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument.

The valuation of securities based upon their amortized cost is permitted by Rule 2a-7 under the Investment Company Act of 1940, as amended. The rule requires that the Fund maintain a dollar-weighted average portfolio of 60 days or less, purchase instruments that have remaining maturities of 13 months or less only, and invest only in securities determined by the Board of Directors to be of good quality with minimal credit risks. The Directors have established procedures designed to achieve these objectives.

**(B) Fair Value Measurements:** The Fund follows fair valuation accounting standards (FASB ASC 820-10)

which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

- Level 1 — Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;
- Level 2 — Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 — Inputs that are unobservable.

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment’s valuation changes. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes the inputs used to value the Fund’s investments in securities as of June 30, 2012:

Investments in Securities:	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
U.S. Government Agency				
Obligations .....	\$ 0	\$ 16,669,105	\$ 0	\$ 16,669,105
Commercial Paper .....	0	5,809,451	0	5,809,451
Repurchase Agreements .....	0	44,500,000	0	44,500,000
<b>Total Investments in</b>				
<b>Securities .....</b>	<b>\$ 0</b>	<b>\$ 66,978,556</b>	<b>\$ 0</b>	<b>\$ 66,978,556</b>

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-04, “Fair Value Measurements and Disclosures (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU 2011-04”). ASU 2011-04 clarifies the

application of existing fair value measurement requirements, changes in certain principles related to measuring fair value, and requires additional disclosures about fair value measurements.

Specifically, the guidance specifies that the concepts of highest and best use and valuation of premise in a fair value measurement are only relevant when measuring the fair value of nonfinancial assets whereas they are not relevant when measuring the fair value of financial assets and liabilities.

Required disclosures are expanded under the new guidance, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs used, and a narrative description of the valuation processes in place and sensitivity of recurring Level 3 measurements to changes in unobservable inputs will be required. Entities will also be required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed.

ASU 2011-04 is effective for annual periods beginning after December 15, 2011 and is to be applied prospectively. The Fund is currently assessing the impact of this guidance on its financial statements.

The Fund follows the updated provisions surrounding fair value measurements and disclosures on transfers in and out of all levels of the fair value hierarchy on a gross basis and the reasons for the transfers as well as to disclosures about the valuation techniques and inputs used to measure fair value for investments that fall in either Level 2 or Level 3 of the fair value hierarchy.

For the six months ended June 30, 2012, there was no significant transfer activity between Level 1 and Level 2.

For the six months ended June 30, 2012, there were no Level 3 investments. The Schedule of Investments

includes a breakdown of the Schedule's investments by category.

**(C) Repurchase Agreements:** In connection with transactions in repurchase agreements, the Fund's custodian takes possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, it is the Fund's policy to mark-to-market 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.

**(D) Security Transactions:** Security transactions are accounted for on the date the securities are purchased or sold. In computing net investment income, premiums and discounts on portfolio securities are amortized. Realized gains and losses on securities transactions are determined based on the identified cost method.

**(E) 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, on a daily basis, all of its investment income to its shareholders. Therefore, no provision for federal income tax is required.

Management has analyzed the Fund's tax positions taken on federal and state income tax returns for all open tax years (fiscal years ended December 31, 2008 through December 31, 2011), and has concluded that no provision for federal or state income tax is required in the Fund's financial statements. The Fund's federal and state income tax returns

# Notes to Financial Statements (unaudited)

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for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

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

**(G) Subsequent Events:** On June 22, 2012, the Fund's Board of Directors approved an Agreement and Plan of Reorganization and Liquidation pursuant to which the Fund's shareholders will become shareholders of the U.S. Government Portfolio of the Daily Income Fund, which is a registered U.S. Government money market fund managed by Reich & Tang Asset Management, LLC. The closing of the reorganization is expected to occur in October 2012. Shares of the Fund will automatically be exchanged for Institutional Service class shares of the U.S. Government Portfolio on the date of the reorganization. Management has evaluated all subsequent transactions and events through the date on which these financial statements were issued, and except as already included in the notes to these financial statements, has determined that no additional items require disclosure.

## 2. Investment Risks

Securities issued by U.S. Government agencies may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ("GNMA" or "Ginnie Mae"), a wholly-owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest in securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed

by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association ("FNMA" or "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

## 3. Capital Share Transactions, Dividends and Distributions

The Fund earns interest daily on its investments and declares daily, on each day the Fund is open for business, all of its net investment income. The Fund pays distributions monthly.

Net realized gains, if any, will be distributed once a year. Earnings for Saturdays, Sundays, and holidays are declared as a dividend on the next business day. All such distributions not paid in cash are automatically credited to shareholder accounts in additional shares at net asset value on the day declared.

Because the Fund has maintained a \$1.00 net asset value per share from inception, the number of shares sold, shares issued to shareholders in reinvestment of dividends declared, and shares redeemed, are equal to the dollar amounts shown in the Statement of Changes in Net Assets for the corresponding capital share transactions.

## 4. Tax Information

At June 30, 2012, the aggregate cost of investments in securities and repurchase agreements for federal income tax purposes was \$66,978,556. At June 30, 2012, there was no unrealized appreciation or depreciation of investments.

June 30, 2012

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

An advisory fee of \$137,927 was paid or payable to EULAV Asset Management (the “Adviser”) for the six months ended June 30, 2012. This was computed at an annual rate of 0.4% per year of the average daily net asset value of the Fund during the year 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, 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. Beginning April 8, 2009, the Adviser voluntarily agreed to waive a portion of its advisory fee. The fee waived amounted to \$137,927 for the six months ended June 30, 2012.

The Adviser is voluntarily reimbursing the Fund to maintain a yield of 0.01% to shareholders. The reimbursement amounted to \$169,219 for the six months ended June 30, 2012. There is no guarantee the Adviser will continue to support the Fund in the future.

The amount of the advisory fee waived is subject to recoupment by the Adviser from the Fund within the same calendar year in which the fees were waived and

the three subsequent calendar years, provided that no amounts may be recouped that would cause the Fund’s total expense ratio as a result of such recoupment to exceed 0.90% and provided the amount of recoupment shall not exceed 0.10% (annualized) of the Fund’s daily average net assets on any day.

As of June 30, 2012, the following amounts were still available for recoupment by the Adviser based upon their potential expiration dates:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$473,207	\$471,615	\$334,889	\$137,927

For the six months ended June 30, 2012, the Fund’s expenses were reduced by \$39 under a custody credit arrangement with the custodian.

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.

Certain officers and a Trustee of the Adviser are also officers and a director of the Fund.

The Adviser and the Distributor owned 568,843 shares of the Fund’s capital stock, representing less than 1% of the outstanding shares at June 30, 2012. In addition, officers and directors of the Fund as a group owned 6,639 shares, representing less than 1% of the outstanding shares.

# Financial Highlights

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

	Six Months Ended	Years Ended December 31,				
	June 30, 2012 (unaudited)	2011	2010	2009	2008	2007
Net asset value, beginning of period . . . . .	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
<b>Income from investment operations:</b>						
Net investment income . . . . .	0.0000 <sup>(1)</sup>	0.0002	0.0001	0.001	0.017	0.044
Total from investment operations . . . . .	0.0000 <sup>(1)</sup>	0.0002	0.0001	0.001	0.017	0.044
<b>Less distributions:</b>						
Dividends from net investment income . . . . .	0.0000 <sup>(1)</sup>	(0.0001)	(0.0001)	(0.001)	(0.017)	(0.044)
Distributions from net realized gains . . . . .	—	(0.0001)	—	—	—	—
Total distributions . . . . .	0.0000 <sup>(1)</sup>	(0.0002)	(0.0001)	(0.001)	(0.017)	(0.044)
Net asset value, end of period . . . . .	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total return . . . . .	0.01% <sup>(2)</sup>	0.02%	0.01%	0.08%	1.69%	4.45%
<b>Ratios/Supplemental Data:</b>						
Net assets, end of period (in thousands) . . . . .	\$ 67,098	\$ 72,520	\$102,076	\$125,079	\$174,686	\$166,907
Ratio of expenses to average net assets <sup>(3)</sup> . . . . .	0.99% <sup>(4)</sup>	0.97%	0.94% <sup>(5)</sup>	0.95%	0.85%	0.83%
Ratio of expenses to average net assets <sup>(6)</sup> . . . . .	0.10% <sup>(4)</sup>	0.11%	0.26% <sup>(7)</sup>	0.44%	0.60%	0.58%
Ratio of net investment income to average net assets . . . . .	0.01% <sup>(4)</sup>	0.01%	0.01%	0.08%	1.62%	4.37%

(1) Amount is less than \$.0001 per share.

(2) Not annualized.

(3) Ratio reflects expenses grossed up for custody credit arrangement, waiver of service and distribution plan fees by the Distributor, and waiver and reimbursement of the advisory fee by the Adviser. The ratio of expenses to average net assets, net of custody credits, but exclusive of the fee waivers and reimbursement would have been unchanged for the periods shown.

(4) Annualized.

(5) Ratio reflects expenses grossed up for the reimbursement by Value Line, Inc. of certain expenses incurred by the Fund.

(6) Ratio reflects expenses net of the custody credit arrangement, net of the waiver of the service and distribution plan fees by the Distributor, and net of the waiver and reimbursement of the advisory fee by the Adviser.

(7) Ratio reflects expenses net of the reimbursement by Value Line, Inc. of certain expenses incurred by the Fund.

See Notes to Financial Statements.

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

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

# 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 12 Value Line Funds. Each Director serves until his or her successor is elected and qualified.

Name, Address, and YOB	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Director
<b>Interested Director*</b>				
Mitchell E. Appel YOB: 1970	Director	Since 2010	President of each of the Value Line Funds since June 2008; Chief Financial Officer of Value Line, Inc. ("Value Line") from April 2008 to December 2010 and from September 2005 to November 2007; Director from February 2010 to December 2010; Chief Financial Officer of XTF Asset Management from November 2007 to April 2008; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009, Trustee since December 2010 and Treasurer since January 2011.	None
<b>Non-Interested Directors</b>				
Joyce E. Heinzerling 500 East 77th Street New York, NY 10162 YOB: 1956	Director	Since 2008	President, Meridian Fund Advisers LLC. (consultants) since April 2009; General Counsel, Archery Capital LLC (private investment fund) until April 2009.	Burnham Investors Trust, since 2004 (4 funds).
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 YOB: 1931	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.	None
David H. Porter 5 Birch Run Drive Saratoga Springs, NY 12866 YOB: 1935	Director	Since 1997	Professor, Skidmore College since 2008; Visiting Professor of Classics, Williams College, (1999-2008); President Emeritus, Skidmore College since 1999 and President, (1987-1998).	None

## Management of the Fund

Name, Address, and YOB	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 YOB: 1939	Director	Since 1983	Chairman, Institute for Political Economy.	None
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 YOB: 1949	Director	Since 1996	Senior Financial Adviser, Veritable L.P. (Investment Adviser).	None
Daniel S. Vandivort 59 Indian Head Road Riverside, CT 06878 YOB: 1954	Director (Chairman of Board since 2010)	Since 2008	President, Chief Investment Officer, Weiss, Peck and Greer/Robeco Investment Management (2005-2007); Managing Director, Weiss, Peck and Greer, (1995-2005).	None

### Officers

Mitchell E. Appel YOB: 1970	President	Since 2008	President of each of the Value Line Funds since June 2008; Chief Financial Officer of Value Line from April 2008 to December 2010 and from September 2005 to November 2007; Director from February 2010 to December 2010; Chief Financial Officer of XTF Asset Management from November 2007 to April 2008; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009, Trustee since December 2010 and Treasurer since January 2011.
Michael J. Wagner YOB: 1950	Chief Compliance Officer	Since 2009	Chief Compliance Officer of the Value Line Funds since June 2009; President of Northern Lights Compliance Service, LLC (formerly Fund Compliance Services, LLC (2006 – present)) and Senior Vice President (2004-2006) and President and Chief Operations Officer (2003-2006) of Gemini Fund Services, LLC; Director of Constellation Trust Company until 2008.
Emily D. Washington YOB: 1979	Treasurer and Secretary	Since 2008	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer) of each of the Value Line Funds since August 2008 and Secretary since 2010; Associate Director of Mutual Fund Accounting at Value Line until August 2008.

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

*Unless otherwise indicated, the address for each of the above officers is c/o Value Line Funds, 7 Times Square, New York, NY 10036.*

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



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## 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** — *Value Line U.S. Government Money Market 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).

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

**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 in US common stocks of small capitalization companies, 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 EULAV Securities LLC, 7 Times Square, New York, New York 10036-6524 or call 1-800-243-2729, 9am–5pm CST, Monday–Friday, or visit us at [www.vlfunds.com](http://www.vlfunds.com). Read the prospectus carefully before you invest or send money.