

ANNUAL REPORT

December 31, 2011

NICHOLAS LIMITED EDITION, INC.

CONSISTENCY in a WORLD of CHANGE



700 NORTH WATER STREET
MILWAUKEE, WISCONSIN 53202
WWW.NICHOLASFUNDS.COM

NICHOLAS LIMITED EDITION, INC.

February 2012

Dear Fellow Shareholders:

The investment climate in 2011 proved extremely volatile for equity investors. Investors saw extreme price swings in what has lately been referred to as a “risk on, risk off” market. During the first four months of 2011 the S&P 500 Index gained about 9% followed by a correction which took the Index down almost 19% from that level. The market then rebounded strongly in the fourth quarter leaving the S&P 500 at about the same level as it began the year. Riskier assets including small-company stocks and emerging markets ended the year with generally negative returns as investors focused on larger companies for perceived safety. Typically, there were great concerns about the economic recovery, sluggish employment picture, domestic housing market and sovereign debt levels. On the positive side, corporate earnings have been largely solid.

We are pleased to report that Nicholas Limited Edition - Class I returned 1.33% for the year ended December 31, 2011 compared to a return of -2.91% for the Russell 2000 Growth Index and 2.11% for the S&P 500 Index. Returns for Nicholas Limited Edition, Inc. - Class I and selected indices are provided in the chart below for the periods ended December 31, 2011.

| | Average Annual Total Return | | | | |
|---|-----------------------------|----------|----------|----------|----------|
| | 1 Year | 3 Year | 5 Year | 10 Year | 15 Year |
| Nicholas Limited Edition, Inc. – Class I | 1.33% | 19.36% | 5.69% | 6.28% | 5.88% |
| Russell 2000 Growth Index | -2.91% | 19.00% | 2.09% | 4.48% | 3.94% |
| Russell 2000 Index | -4.18% | 15.63% | 0.15% | 5.62% | 6.25% |
| Morningstar Small-Cap Growth Fund Category | -3.55% | 18.45% | 1.31% | 4.38% | 6.44% |
| Standard and Poor’s 500 Index | 2.11% | 14.11% | -0.25% | 2.92% | 5.45% |
| Ending value of \$10,000 invested in Nicholas Limited Edition, Inc. – Class I | \$10,133 | \$17,005 | \$13,187 | \$18,389 | \$23,578 |
| Fund’s Class I Expense Ratio (from 04/30/11 Prospectus): 0.91% | | | | | |

The Fund’s expense ratios for the period ended December 31, 2011 can be found in the financial highlights included within this report.

Performance data quoted represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end, may be obtained by visiting www.nicholasfunds.com/returns.html.

The Fund’s returns are reduced by expenses; while the market indices are not. The ending values above illustrate the performance of a hypothetical \$10,000 investment made in the Fund over the timeframes listed. Assumes reinvestment of dividends and capital gains. Returns shown do not reflect the deduction of taxes that a shareholder

would pay on Fund distributions or the redemption of Fund shares. These figures do not imply any future performance.

Class N of the Fund commenced operations on February 28, 2005. The annual returns shown for the Class I shares for this Fund would be substantially similar to the Class N because both classes of shares are invested in the same portfolio of securities. Annual returns will generally differ only to the extent that the classes do not have the same expenses. Please see the respective prospectus for details.

The Fund's outperformance for the year versus the Russell 2000 Growth Index was driven in large part by better stock selection in the consumer sector, the energy sector, the industrial sector and the materials sector. In general, the commodity driven sectors including energy and materials were the weakest. The Fund's financial sector underperformed that of the Russell 2000 Growth Index. The Fund had an overweighting in bank stocks which did not perform well due to concerns of slow growth and poor lending practices. The Fund's sector weightings were approximately as follows: 24% consumer related, 23% industrials, 18% information technology, 14% health care, 11% financials and 4% for both energy and materials.

Looking forward, the economy seems to be slowly improving. The Federal Reserve continues to maintain a position of extremely low interest rates. The housing market also seems to be improving slightly and consumer spending remains strong. Corporate profits as well remain solid. The European debt situation is a concern and may cause Europe to go into a recession. We continue to focus our efforts on small-cap companies that have the ability to become large companies over time. These secular growth stories are always available no matter what the economic conditions.

Thank you, for your continued support.

Sincerely,



David O. Nicholas
Portfolio Manager

The information above represents the opinions of the Fund manager, is subject to change, and any forecasts made cannot be guaranteed.

The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility.

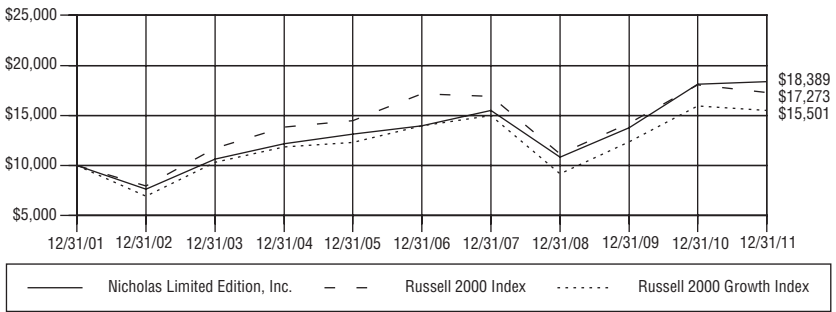
Please refer to the schedule of investments in the report for complete Fund holdings information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. One cannot invest directly in an index. Each Morningstar Category average represents a universe of funds with similar investment objectives. Must be preceded or accompanied by a prospectus.

The Nicholas Funds are distributed by Quasar Distributors, LLC. (02/12)

**COMPARISON OF CHANGE IN VALUE OF \$10,000
INVESTMENT IN NICHOLAS LIMITED EDITION, INC. – CLASS I,
RUSSELL 2000 INDEX AND RUSSELL 2000 GROWTH INDEX**

The line graph, which follows, compares the initial account value and subsequent account values at the end of each of the most recently completed ten fiscal years of the Fund’s Class I, to the same investment over the same period in two peer group indices. The graph assumes a \$10,000 investment in the Fund’s Class I and the indices at the beginning of the first fiscal year. The peer group in the graph includes the Russell 2000 Index and the Russell 2000 Growth Index. The Adviser believes the Russell 2000 Index and the Russell 2000 Growth Index are representative of the performance of small- and medium-capitalization growth companies in which the Fund primarily invests and provide a meaningful and representative basis of comparison for Fund investors.



The Fund’s Class I average annual total returns for the one, five and ten year periods ended on the last day of the most recent fiscal year are as follows:

| | One Year Ended December 31, 2011 | Five Years Ended December 31, 2011 | Ten Years Ended December 31, 2011 |
|-----------------------------|--|--|---|
| Average Annual Total Return | 1.33% | 5.69% | 6.28% |

Past performance is not predictive of future performance, and the above graph and table do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

Financial Highlights Class I (NCLEX)

For a share outstanding throughout each period

| | Years Ended December 31, | | | | |
|--|--------------------------|-----------------------|----------------------|----------------|--------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$21.85 | \$17.76 | \$13.93 | \$20.07 | \$19.62 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS | | | | | |
| Net investment income (loss) | (.04) ⁽¹⁾ | .00 ⁽¹⁾⁽²⁾ | (.01) ⁽¹⁾ | .03 | .01 |
| Net gain (loss) on securities (realized and unrealized) | .34 | 5.63 | 3.84 | (6.11) | 2.20 |
| Total from investment operations | .30 | 5.63 | 3.83 | (6.08) | 2.21 |
| LESS DISTRIBUTIONS | | | | | |
| From net investment income | — | — | .00 ⁽²⁾ | (.03) | .00 ⁽²⁾ |
| From net capital gain | (1.25) | (1.54) | — | (.03) | (1.76) |
| Total distributions | (1.25) | (1.54) | .00 ⁽²⁾ | (.06) | (1.76) |
| NET ASSET VALUE, END OF PERIOD | <u>\$20.90</u> | <u>\$21.85</u> | <u>\$17.76</u> | <u>\$13.93</u> | <u>\$20.07</u> |
| TOTAL RETURN | 1.33% | 31.62% | 27.50% | (30.26)% | 11.20% |
| SUPPLEMENTAL DATA: | | | | | |
| Net assets, end of period (millions) | \$202.8 | \$182.1 | \$136.5 | \$115.3 | \$167.8 |
| Ratio of expenses to average net assets | .89% | .91% | .97% | .93% | .91% |
| Ratio of net investment income (loss) to average net assets | (.18)% | (.02)% | (.07)% | .16% | .05% |
| Portfolio turnover rate | 37.64% | 40.04% | 40.41% | 35.64% | 26.11% |

(1) Computed based on average shares outstanding.

(2) The amount rounds to \$0.00 or 0.00%.

The accompanying notes to financial statements are an integral part of these highlights.

Financial Highlights Class N (NNLEX)

For a share outstanding throughout each period

| | Years Ended December 31, | | | | |
|--|--------------------------|----------------|--------------------|----------------|----------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$21.50 | \$17.54 | \$13.78 | \$19.86 | \$19.51 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS | | | | | |
| Net investment income (loss) ⁽¹⁾ | (.11) | (.06) | (.04) | .01 | (.06) |
| Net gain (loss) on securities (realized and unrealized) | .33 | 5.56 | 3.80 | (6.05) | 2.17 |
| Total from investment operations | .22 | 5.50 | 3.76 | (6.04) | 2.11 |
| LESS DISTRIBUTIONS | | | | | |
| From net investment income | — | — | .00 ⁽²⁾ | (.01) | — |
| From net capital gain | (1.25) | (1.54) | — | (.03) | (1.76) |
| Total distributions | (1.25) | (1.54) | .00 ⁽²⁾ | (.04) | (1.76) |
| NET ASSET VALUE, END OF PERIOD | <u>\$20.47</u> | <u>\$21.50</u> | <u>\$17.54</u> | <u>\$13.78</u> | <u>\$19.86</u> |
| TOTAL RETURN | .98% | 31.28% | 27.29% | (30.41)% | 10.74% |
| SUPPLEMENTAL DATA: | | | | | |
| Net assets, end of period (millions) | \$30.8 | \$22.6 | \$12.3 | \$7.7 | \$3.7 |
| Ratio of expenses to average net assets | 1.24% | 1.19% | 1.16% | 1.12% | 1.26% |
| Ratio of net investment income (loss) to average net assets | (.52)% | (.30)% | (.28)% | .07% | (.30)% |
| Portfolio turnover rate | 37.64% | 40.04% | 40.41% | 35.64% | 26.11% |

(1) Computed based on average shares outstanding.

(2) The amount rounds to \$0.00 or 0.00%.

The accompanying notes to financial statements are an integral part of these highlights.

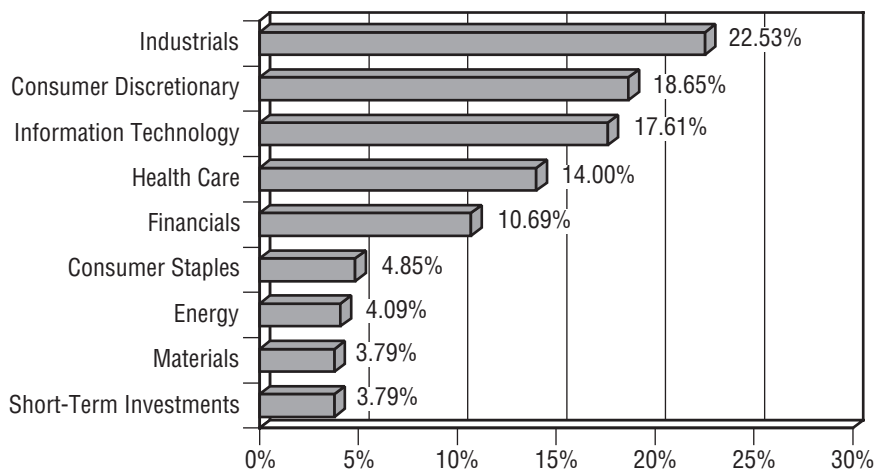
Top Ten Equity Portfolio Holdings

December 31, 2011 (unaudited)

| Name | Percentage of Net Assets |
|--|--------------------------|
| Liz Claiborne, Inc. | 1.66% |
| Ulta Salon, Cosmetics & Fragrance, Inc. | 1.53% |
| Huron Consulting Group Inc. | 1.41% |
| IHS Inc. – Class A | 1.36% |
| Echo Global Logistic | 1.36% |
| Tupperware Brands Corporation | 1.32% |
| AptarGroup, Inc. | 1.31% |
| InnerWorkings, Inc. | 1.30% |
| Monro Muffler Brake, Inc. | 1.29% |
| Morningstar, Inc. | 1.27% |
| Total of top ten | <u>13.81%</u> |

Sector Diversification (As a Percentage of Portfolio)

December 31, 2011 (unaudited)



Fund Expenses

For the six month period ended December 31, 2011 (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees and other operating expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with those of other mutual funds.

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period.

The first line of the table below for each share class of the Fund provides information about the 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 entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratios for each class of the Fund and an assumed rate of return of 5% per year before expenses, which are not the Fund's actual returns. 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 with 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 wire fees. Therefore, the second line of 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 these transactional costs were included, your costs would have been higher.

Class I

| | Beginning Account Value <u>06/30/11</u> | Ending Account Value <u>12/31/11</u> | Expenses Paid During Period* <u>07/01/11 - 12/31/11</u> |
|---|--|---|---|
| Actual | \$1,000.00 | \$ 929.10 | \$4.33 |
| Hypothetical (5% return before expenses) | 1,000.00 | 1,020.52 | 4.53 |

* Expenses are equal to the Class I six-month annualized expense ratio of 0.88%, multiplied by the average account value over the period, multiplied by 186 then divided by 365 to reflect the one-half year period.

Fund Expenses (continued)

For the six month period ended December 31, 2011 (unaudited)

Class N

| | Beginning Account Value <u>06/30/11</u> | Ending Account Value <u>12/31/11</u> | Expenses Paid During Period** <u>07/01/11 - 12/31/11</u> |
|---|--|---|--|
| Actual | \$1,000.00 | \$ 927.80 | \$6.04 |
| Hypothetical (5% return before expenses) | 1,000.00 | 1,018.73 | 6.33 |

** Expenses are equal to the Class N six-month annualized expense ratio of 1.23%, multiplied by the average account value over the period, multiplied by 186 then divided by 365 to reflect the one-half year period.

Schedule of Investments

December 31, 2011

| <u>Shares or Principal Amount</u> | | <u>Value</u> |
|--|--|-------------------|
| COMMON STOCKS — 91.25% | | |
| Consumer Discretionary – Automobiles & Components — 1.09% | | |
| 270,000 | Modine Manufacturing Company* | \$ 2,554,200 |
| Consumer Discretionary – Durables & Apparel — 3.74% | | |
| 450,000 | Liz Claiborne, Inc.* | 3,883,500 |
| 55,000 | Tupperware Brands Corporation | 3,078,350 |
| 55,000 | Vera Bradley, Inc.* | 1,773,750 |
| | | <u>8,735,600</u> |
| Consumer Discretionary – Media — 1.27% | | |
| 50,000 | Morningstar, Inc. | 2,972,500 |
| Consumer Discretionary – Retailing — 9.71% | | |
| 105,000 | Aaron's, Inc. | 2,801,400 |
| 85,000 | Ascena Retail Group, Inc.* | 2,526,200 |
| 100,000 | Body Central Corp.* | 2,496,000 |
| 135,000 | Express, Inc.* | 2,691,900 |
| 55,000 | Jos. A. Bank Clothiers, Inc.* | 2,681,800 |
| 77,500 | Monro Muffler Brake, Inc. | 3,006,225 |
| 55,000 | Ulta Salon, Cosmetics & Fragrance, Inc.* | 3,570,600 |
| 105,000 | Zumiez Inc.* | 2,914,800 |
| | | <u>22,688,925</u> |
| Consumer Discretionary – Services — 1.87% | | |
| 130,000 | Caribou Coffee Company, Inc.* | 1,813,500 |
| 475,000 | Wendy's Company (The) | 2,546,000 |
| | | <u>4,359,500</u> |
| Consumer Staples – Food & Staples Retailing — 2.38% | | |
| 42,500 | PriceSmart, Inc. | 2,957,575 |
| 65,000 | United Natural Foods, Inc.* | 2,600,650 |
| | | <u>5,558,225</u> |
| Consumer Staples – Food, Beverage & Tobacco — 1.26% | | |
| 45,000 | TreeHouse Foods, Inc.* | 2,942,100 |
| Consumer Staples – Household & Personal Products — 0.97% | | |
| 200,000 | Prestige Brands Holdings, Inc.* | 2,254,000 |
| Energy — 3.88% | | |
| 40,000 | Atwood Oceanics, Inc.* | 1,591,600 |
| 40,500 | Dril-Quip, Inc.* | 2,665,710 |
| 60,000 | Rosetta Resources, Inc.* | 2,610,000 |
| 30,000 | SM Energy Company | 2,193,000 |
| | | <u>9,060,310</u> |
| Financials – Banks — 3.80% | | |
| 120,000 | Associated Banc-Corp | 1,340,400 |

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

December 31, 2011

| Shares or Principal Amount | | Value |
|---|--|-------------------|
| COMMON STOCKS — 91.25% (continued) | | |
| Financials – Banks — 3.80% (continued) | | |
| 95,000 | Community Bank System, Inc. | \$ 2,641,000 |
| 73,394 | First Financial Bancorp. | 1,221,276 |
| 120,000 | Glacier Bancorp, Inc. | 1,443,600 |
| 45,000 | IBERIABANK Corporation | 2,218,500 |
| | | <u>8,864,776</u> |
| Financials – Diversified — 2.91% | | |
| 23,000 | Affiliated Managers Group, Inc.* | 2,206,850 |
| 180,000 | Duff & Phelps Corporation – Class A | 2,610,000 |
| 80,000 | Waddell & Reed Financial, Inc. | 1,981,600 |
| | | <u>6,798,450</u> |
| Financials – Insurance — 0.56% | | |
| 47,500 | HCC Insurance Holdings, Inc. | 1,306,250 |
| Financials – Real Estate — 2.87% | | |
| 210,000 | Monmouth Real Estate Investment Corporation – Class A | 1,921,500 |
| 170,000 | Sabra Health Care REIT, Inc. | 2,055,300 |
| 290,000 | Summit Hotel Properties, Inc. | 2,737,600 |
| | | <u>6,714,400</u> |
| Health Care – Equipment & Services — 12.54% | | |
| 90,000 | Abaxis, Inc.* | 2,490,300 |
| 139,000 | Allscripts Healthcare Solutions, Inc.* | 2,632,660 |
| 51,000 | Computer Programs and Systems, Inc. | 2,606,610 |
| 75,000 | Cyberonics, Inc.* | 2,512,500 |
| 120,000 | DexCom, Inc.* | 1,117,200 |
| 124,400 | Insulet Corporation* | 2,342,452 |
| 95,000 | Masimo Corporation* | 1,775,075 |
| 139,550 | Meridian Bioscience, Inc. | 2,629,122 |
| 175,000 | Merit Medical Systems, Inc.* | 2,341,500 |
| 37,500 | MWI Veterinary Supply, Inc.* | 2,491,500 |
| 67,500 | Neogen Corporation* | 2,068,200 |
| 140,000 | Omnnicell, Inc.* | 2,312,800 |
| 45,000 | Sirona Dental Systems, Inc.* | 1,981,800 |
| | | <u>29,301,719</u> |
| Health Care – Pharmaceuticals, Biotechnology & Life Sciences — 0.73% | | |
| 25,000 | Techne Corporation | 1,706,500 |
| Industrials – Capital Goods — 9.15% | | |
| 120,000 | Beacon Roofing Supply, Inc.* | 2,427,600 |
| 42,650 | Graco Inc. | 1,743,959 |
| 31,500 | Middleby Corporation (The)* | 2,962,260 |

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

December 31, 2011

| Shares or Principal Amount | | Value |
|--|---|-------------------|
| COMMON STOCKS — 91.25% (continued) | | |
| Industrials – Capital Goods — 9.15% (continued) | | |
| 32,500 | MSC Industrial Direct Co., Inc. – Class A | \$ 2,325,375 |
| 65,000 | RBC Bearings Incorporated* | 2,710,500 |
| 47,500 | Regal-Beloit Corporation | 2,421,075 |
| 60,000 | Robbins & Myers, Inc. | 2,913,000 |
| 73,125 | Sun Hydraulics Corporation | 1,713,319 |
| 52,500 | Woodward Inc. | 2,148,825 |
| | | <u>21,365,913</u> |
| Industrials – Commercial & Professional Services — 10.18% | | |
| 60,000 | Copart, Inc.* | 2,873,400 |
| 60,000 | Exponent, Inc.* | 2,758,200 |
| 127,500 | Healthcare Services Group, Inc. | 2,255,475 |
| 85,000 | Huron Consulting Group Inc.* | 3,292,900 |
| 37,000 | IHS Inc. – Class A* | 3,187,920 |
| 325,000 | InnerWorkings, Inc.* | 3,025,750 |
| 125,000 | Mobile Mini, Inc.* | 2,181,250 |
| 160,000 | Standard Parking Corporation* | 2,859,200 |
| 362,637 | Swisher Hygiene, Inc.* | 1,356,262 |
| | | <u>23,790,357</u> |
| Industrials – Transportation — 2.04% | | |
| 75,000 | Hub Group, Inc. – Class A* | 2,432,250 |
| 130,000 | Marten Transport, Ltd. | 2,338,700 |
| | | <u>4,770,950</u> |
| Information Technology – Hardware & Equipment — 3.17% | | |
| 10,000 | Acme Packet, Inc.* | 309,100 |
| 40,000 | Ceragon Networks Ltd.* | 308,000 |
| 145,000 | Finisar Corporation* | 2,428,025 |
| 93,500 | FLIR Systems, Inc. | 2,344,045 |
| 295,000 | Intermec, Inc.* | 2,023,700 |
| | | <u>7,412,870</u> |
| Information Technology – Semiconductors & Semiconductor Equipment — 3.30% | | |
| 85,000 | CEVA, Inc.* | 2,572,100 |
| 140,000 | Cirrus Logic Inc.* | 2,219,000 |
| 240,000 | RF Micro Devices, Inc.* | 1,296,000 |
| 100,000 | Skyworks Solutions, Inc.* | 1,622,000 |
| | | <u>7,709,100</u> |
| Information Technology – Software & Services — 10.23% | | |
| 47,500 | ANSYS, Inc.* | 2,720,800 |
| 120,000 | Bottomline Technologies (de), Inc.* | 2,780,400 |
| 27,500 | Concur Technologies, Inc.* | 1,396,725 |

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

December 31, 2011

| Shares or Principal Amount | | Value |
|--|--|----------------------|
| COMMON STOCKS — 91.25% (continued) | | |
| Information Technology – Software & Services — 10.23% (continued) | | |
| 197,300 | Echo Global Logistics, Inc.* | \$ 3,186,395 |
| 25,000 | FactSet Research Systems Inc. | 2,182,000 |
| 125,000 | Fortinet* | 2,726,250 |
| 15,000 | Higher One Holdings, Inc.* | 276,600 |
| 80,000 | Jack Henry and Associates, Inc. | 2,688,800 |
| 20,000 | MercadoLibre, Inc. | 1,590,800 |
| 54,500 | MICROS Systems, Inc.* | 2,538,610 |
| 65,000 | SolarWinds, Inc.* | 1,816,750 |
| | | <u>23,904,130</u> |
| Materials — 3.60% | | |
| 58,500 | AptarGroup, Inc. | 3,051,945 |
| 110,000 | RPM International, Inc. | 2,700,500 |
| 70,000 | Sensient Technologies Corporation | 2,653,000 |
| | | <u>8,405,445</u> |
| | TOTAL COMMON STOCKS (cost \$160,818,140) | <u>213,176,220</u> |
| SHORT-TERM INVESTMENTS — 3.59% | | |
| Commercial Paper — 2.98% | | |
| \$ 425,000 | Aetna Inc. 01/03/12, 0.34% | 425,000 |
| 650,000 | Bemis Company, Inc. 01/03/12, 0.45% | 650,000 |
| 1,275,000 | Marriott International, Inc. 01/03/12, 0.50% | 1,275,000 |
| 1,000,000 | VW Credit, Inc. 01/04/12, 0.38% | 999,989 |
| 650,000 | Bacardi U.S.A., Inc. 01/05/12, 0.50% | 649,982 |
| 1,675,000 | Aetna Inc. 01/06/12, 0.38% | 1,674,947 |
| 675,000 | Integrus Energy Group, Inc. 01/06/12, 0.32% | 674,982 |
| 614,000 | VW Credit, Inc. 01/23/12, 0.40% | 613,864 |
| | | <u>6,963,764</u> |
| Variable Rate Security — 0.61% | | |
| 1,423,654 | American Family Financial Services, Inc. ⁽¹⁾ 01/03/12, 0.10% | 1,423,654 |
| | TOTAL SHORT-TERM INVESTMENTS (cost \$8,387,418) | <u>8,387,418</u> |
| | TOTAL INVESTMENTS (cost \$169,205,558) — 94.84% | <u>221,563,638</u> |
| | OTHER ASSETS, NET OF LIABILITIES — 5.16% | <u>12,044,415</u> |
| | TOTAL NET ASSETS (basis of percentages disclosed above) — 100% | <u>\$233,608,053</u> |

* Non-income producing security.

(1) Subject to a demand feature as defined by the Securities and Exchange Commission.

The accompanying notes to financial statements are an integral part of this schedule.

Statement of Assets and Liabilities

December 31, 2011

| | |
|---|----------------------|
| ASSETS | |
| Investments in securities at value (cost \$169,205,558) | \$221,563,638 |
| Receivables – | |
| Investment securities sold | 701,225 |
| Dividend and interest | 122,117 |
| Capital stock subscription | 14,752,024 |
| Other | 400 |
| Total receivables | <u>15,575,766</u> |
| Other | 14,552 |
| Total assets | <u>237,153,956</u> |
| LIABILITIES | |
| Payables – | |
| Investment securities purchased | 3,331,558 |
| Due to adviser – | |
| Management fee | 148,994 |
| Accounting and administrative fee | 4,966 |
| Total due to adviser | <u>153,960</u> |
| 12b-1 and servicing fee | 19,662 |
| Other payables and accrued expense | 40,723 |
| Total liabilities | <u>3,545,903</u> |
| Total net assets | <u>\$233,608,053</u> |
| NET ASSETS CONSIST OF | |
| Paid in capital | \$180,041,582 |
| Net unrealized appreciation on investments | 52,358,080 |
| Accumulated undistributed net realized gain on investments | 1,208,391 |
| Total net assets | <u>\$233,608,053</u> |
| Class I: | |
| Net assets | \$202,847,415 |
| Shares outstanding | 9,703,754 |
| NET ASSET VALUE PER SHARE (\$.01 par value, 39,000,000 shares authorized), offering price and redemption price | <u>\$20.90</u> |
| Class N: | |
| Net assets | \$30,760,638 |
| Shares outstanding | 1,502,844 |
| NET ASSET VALUE PER SHARE (\$.01 par value, 11,000,000 shares authorized), offering price and redemption price | <u>\$20.47</u> |

The accompanying notes to financial statements are an integral part of this statement.

Statement of Operations

For the year ended December 31, 2011

INCOME

| | |
|--|------------------|
| Dividend (net of foreign taxes of \$3,870) | \$ 1,522,176 |
| Interest | 43,867 |
| Other | 10,868 |
| Total income | <u>1,576,911</u> |

EXPENSES

| | |
|--|------------------|
| Management fee | 1,662,598 |
| Transfer agent fees | 88,215 |
| 12b-1 fees – Class N | 74,424 |
| Accounting and administrative fees | 55,420 |
| Registration fees | 43,609 |
| Servicing fees – Class N | 29,770 |
| Audit and tax fees | 26,700 |
| Postage and mailing | 17,471 |
| Printing | 13,680 |
| Custodian fees | 11,434 |
| Accounting system and pricing service fees | 11,344 |
| Insurance | 10,139 |
| Directors' fees | 9,990 |
| Legal fees | 8,503 |
| Other operating expenses | 6,421 |
| Total expenses | <u>2,069,718</u> |
| Net investment loss | <u>(492,807)</u> |

NET REALIZED GAIN ON INVESTMENTS

| | |
|--|-------------------|
| | <u>12,628,004</u> |
|--|-------------------|

CHANGE IN NET UNREALIZED APPRECIATION/DEPRECIATION

| | |
|--|---------------------|
| ON INVESTMENTS | <u>(10,261,184)</u> |
| Net realized and unrealized gain on investments | <u>2,366,820</u> |
| Net increase in net assets resulting from operations | <u>\$ 1,874,013</u> |

The accompanying notes to financial statements are an integral part of this statement.

Statements of Changes in Net Assets

For the years ended December 31, 2011 and 2010

| | 2011 | 2010 |
|---|----------------------|----------------------|
| INCREASE (DECREASE) IN | | |
| NET ASSETS FROM OPERATIONS | | |
| Net investment loss | \$ (492,807) | \$ (76,814) |
| Net realized gain on investments | 12,628,004 | 16,105,006 |
| Change in net unrealized appreciation/depreciation on investments | (10,261,184) | 31,168,624 |
| Net increase in net assets resulting from operations | 1,874,013 | 47,196,816 |
| DISTRIBUTIONS TO SHAREHOLDERS | | |
| From net realized gain on investments – Class I | (10,746,664) | (12,030,946) |
| From net realized gain on investments – Class N | (1,776,909) | (1,472,798) |
| Total distributions | (12,523,573) | (13,503,744) |
| CAPITAL SHARE TRANSACTIONS | | |
| Proceeds from shares issued – Class I (1,914,611 and 627,413 shares, respectively) | 41,864,139 | 13,449,636 |
| Reinvestment of distributions – Class I (475,181 and 505,011 shares, respectively) | 9,993,058 | 11,120,342 |
| Cost of shares redeemed – Class I (1,017,295 and 488,334 shares, respectively) | (22,299,545) | (9,668,618) |
| Proceeds from shares issued – Class N (1,059,660 and 554,256 shares, respectively) | 23,148,154 | 11,039,554 |
| Reinvestment of distributions – Class N (85,480 and 67,781 shares, respectively) | 1,760,022 | 1,468,143 |
| Cost of shares redeemed – Class N (693,165 and 274,689 shares, respectively) | (14,874,765) | (5,291,722) |
| Change in net assets derived from capital share transactions | 39,591,063 | 22,117,335 |
| Total increase in net assets | 28,941,503 | 55,810,407 |
| NET ASSETS | | |
| Beginning of period | 204,666,550 | 148,856,143 |
| End of period | <u>\$233,608,053</u> | <u>\$204,666,550</u> |

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

December 31, 2011

(1) Summary of Significant Accounting Policies —

Nicholas Limited Edition, Inc. (the “Fund”) is organized as a Maryland corporation and is registered as an open-end, diversified management investment company under the Investment Company Act of 1940, as amended. The primary objective of the Fund is long-term growth. The following is a summary of the significant accounting policies of the Fund:

- (a) Equity securities traded on a stock exchange will ordinarily be valued on the basis of the last sale price on the date of valuation on the securities principal exchange, or if in the absence of any sale on that day, the closing bid price. For securities principally traded on the NASDAQ market, the Fund uses the NASDAQ Official Closing Price. Debt securities, excluding short-term investments, are valued at their current evaluated bid price as determined by an independent pricing service, which generates evaluations on the basis of dealer quotes for normal institutional-sized trading units, issuer analysis, bond market activity and various other factors. Securities for which market quotations may not be readily available are valued at their fair value as determined in good faith by procedures adopted by the Board of Directors. Variable rate demand notes are valued at cost, which approximates market value. U.S. Treasury Bills and commercial paper are stated at amortized cost, which approximates market value. The Fund did not maintain any positions in derivative instruments or engage in hedging activities during the year. Investment transactions for financial statement purposes are recorded on trade date.

In accordance with Accounting Standards Codification (“ASC”) 820-10, “Fair Value Measurements and Disclosures” (“ASC 820-10”), fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820-10 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value such as a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, benchmark yields, bids, offers, transactions, spreads and other relationships observed in the markets among market securities, underlying equity of the issuer, proprietary pricing models, credit risk, etc.)

Notes to Financial Statements (continued)

December 31, 2011

Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2011 in valuing the Fund’s investments carried at value:

| <u>Valuation Inputs</u> | <u>Investments in Securities</u> |
|------------------------------------|--------------------------------------|
| Level 1 – | |
| Common Stocks ⁽¹⁾ | \$213,176,220 |
| Level 2 – | |
| Commercial Paper | 6,963,764 |
| Variable Rate Security | 1,423,654 |
| Level 3 – | |
| None | — |
| Total | <u>\$221,563,638</u> |

(1) See Schedule of Investments for further detail by industry.

There were no significant transfers between levels during the year ended December 31, 2011 and the Fund did not hold any Level 3 investments during the year.

- (b) Net realized gain (loss) on portfolio securities was computed on the basis of specific identification.
- (c) Dividend income is recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Non-cash dividends, if any, are recorded at value on date of distribution. Generally, discounts and premiums on long-term debt security purchases, if any, are amortized over the expected lives of the respective securities using the effective yield method.
- (d) Provision has not been made for federal income taxes or excise taxes since the Fund has elected to be taxed as a “regulated investment company” and intends to distribute substantially all net investment income and net realized capital gains on sales of investments to its shareholders and otherwise comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies.

Investment income, net capital gains (losses) and all expenses incurred by the Fund are allocated based on the relative net assets of each class, except for service fees and certain other fees and expenses related to one class of shares.

Class N shares are subject to a 0.25% 12b-1 fee and a 0.10% servicing fee, as described in its prospectus. Subsequent to March 13, 2008 and prior to August 11, 2010, the 12b-1 fee was voluntarily reduced to 0.125%. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative net asset value of outstanding shares.

Notes to Financial Statements (continued)

December 31, 2011

- (e) Dividends and distributions paid to shareholders are recorded on the ex-dividend date. Distributions from net investment income are generally declared and paid at least annually. Distributions of net realized capital gain, if any, are declared and paid at least annually.

The amount of distributions from net investment income and net realized capital gain are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles (“U.S. GAAP”) for financial reporting purposes. Financial reporting records are adjusted for permanent book-to-tax differences to reflect tax character. At December 31, 2011, reclassifications were recorded to increase accumulated undistributed net investment income and decrease paid in capital by \$492,807.

The tax character of distributions paid during the years ended December 31 was as follows:

| | <u>12/31/2011</u> | <u>12/31/2010</u> |
|------------------------------------|---------------------|---------------------|
| Distributions paid from: | | |
| Ordinary income | \$ 233,388 | \$ 4,854,568 |
| Long-term capital gain | <u>12,290,185</u> | <u>8,649,176</u> |
| Total distributions paid | <u>\$12,523,573</u> | <u>\$13,503,744</u> |

As of December 31, 2011, investment cost for federal tax purposes was \$169,606,781 and the tax basis components of net assets were as follows:

| | |
|--|----------------------|
| Unrealized appreciation | \$ 58,143,177 |
| Unrealized depreciation | <u>(6,186,320)</u> |
| Net unrealized appreciation | <u>51,956,857</u> |
| Accumulated undistributed net realized capital gain | 1,609,614 |
| Paid in capital | <u>180,041,582</u> |
| Net assets | <u>\$233,608,053</u> |

The differences between book-basis and tax-basis unrealized appreciation and accumulated realized capital gain are attributable primarily to the tax deferral of losses from wash sales.

As of the year ended December 31, 2011, the Fund realized no post-October losses for tax purposes.

As of December 31, 2011, the Fund had a tax deferral of wash loss sales of approximately \$401,000.

As of December 31, 2011, the Fund has no capital loss carryforward.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the “RIC Act”) was enacted, and the provisions within the RIC Act are effective for the Fund for the year ended December 31, 2011. The RIC Act modernized several of the federal income and excise tax provisions related to regulated investment companies (“RICs”). Under the RIC Act, new capital losses

Notes to Financial Statements (continued)

December 31, 2011

may be carried forward indefinitely, with the character of the original loss retained. Prior to the RIC Act, capital losses could be carried forward for eight years, and were carried forward as short-term capital losses regardless of the character of the original loss. The RIC Act also contains simplification provisions, which are aimed at preventing disqualification of a RIC for inadvertent failures to comply with asset diversification and/or qualifying income tests. The RIC Act exempts RICs from the preferential dividend rule and repeals the 60-day designation requirement for certain types of pay-through income and gains. In addition, the RIC Act contains provisions aimed at preserving the character of distributions made by a RIC during the portion of its taxable year ending after October 31 or December 31.

The Fund had no material uncertain tax positions and has not recorded a liability for unrecognized tax benefits as of December 31, 2011. Also, the Fund recognized no interest and penalties related to uncertain tax benefits during the same period. At December 31, 2011, the fiscal years 2008 through 2011 remain open to examination in the Fund's major tax jurisdictions.

- (f) The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.
- (g) In the normal course of business the Fund enters into contracts that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund that have not yet occurred. Based on experience, the Fund expects the risk of loss to be remote.
- (h) In connection with the preparation of the Fund's financial statements, management evaluated subsequent events after the date of the Statement of Assets and Liabilities of December 31, 2011. There have been no significant subsequent events since December 31, 2011 that would require adjustment to or additional disclosure in these financial statements.
- (i) In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" in U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU No. 2011-04 amends FASB ASC Topic 820, "Fair Value Measurements and Disclosures," to establish common requirements for measuring fair value and disclosing additional information about Level 3 fair value measurements in accordance with U.S. GAAP and IFRS. ASU No. 2011-04 is effective for fiscal years beginning after December 15, 2011 and for interim periods within these fiscal years. Management is currently evaluating the impact these amendments may have on the Fund's financial statements.

Notes to Financial Statements (continued)

December 31, 2011

(2) Related Parties —

(a) Investment Adviser and Management Agreement —

The Fund has an agreement with Nicholas Company, Inc. (with whom certain officers and directors of the Fund are affiliated) (the “Adviser”) to serve as investment adviser and manager. Under the terms of the agreement, a monthly fee is paid to the Adviser based on an annualized fee of .75% of the average net asset value. Also, the Adviser may be paid for accounting and administrative services rendered by its personnel, subject to the following guidelines: (i) up to five basis points, on an annual basis, of the average net asset value of the Fund up to and including \$2 billion and up to three basis points, on an annual basis, of the average net asset value of the Fund greater than \$2 billion, based on the average net asset value of the Fund as determined by valuations made at the close of each business day of each month, and (ii) where the preceding calculation results in an annual payment of less than \$50,000, the Adviser, in its discretion, may charge the Fund up to \$50,000 for such services.

(b) Legal Counsel —

A director of the Adviser is affiliated with a law firm that provides services to the Fund. The Fund incurred expenses of \$4,003 for the year ended December 31, 2011 for legal services rendered by this law firm.

(3) Investment Transactions —

For the year ended December 31, 2011, the cost of purchases and the proceeds from sales of investment securities, other than short-term obligations, aggregated \$97,867,096 and \$78,693,333, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Nicholas Limited Edition, Inc.:

We have audited the accompanying statement of assets and liabilities of Nicholas Limited Edition, Inc. (the "Fund"), including the schedule of investments, as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in 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. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Nicholas Limited Edition, Inc. as of December 31, 2011, 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 its 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.

Deloitte & Touche LLP
Milwaukee, Wisconsin
February 29, 2012

Historical Record

(unaudited)

| | Net Asset Value Per Share | Net Investment Income Distributions Per Share | Capital Gain Distributions Per Share | Dollar Weighted Price/Earnings Ratio ⁽²⁾ | Growth of an Initial \$10,000 Investment ⁽³⁾ |
|--|---------------------------------|---|--|--|--|
| Class I | | | | | |
| May 18, 1987 ⁽¹⁾ | \$10.00 | \$ — | \$ — | — | \$10,000 |
| December 31, 1987 | 9.15 | .0900 | — | 13.9 times | 9,242 |
| December 31, 1988 | 11.29 | .0969 | .2527 | 14.1 | 11,762 |
| December 31, 1989 | 12.49 | .1453 | .6151 | 16.3 | 13,804 |
| December 31, 1990 | 12.03 | .1207 | .1213 | 14.2 | 13,566 |
| December 31, 1991 | 16.86 | .1228 | .2407 | 21.9 | 19,429 |
| December 31, 1992 | 18.77 | .0815 | .8275 | 18.8 | 22,690 |
| December 31, 1993 | 18.68 | .0867 | 1.6782 | 20.4 | 24,738 |
| December 31, 1994 | 17.09 | .1031 | .9065 | 18.3 | 23,985 |
| December 31, 1995 | 19.22 | .0761 | 2.9353 | 25.2 | 31,223 |
| December 31, 1996 | 20.74 | .0124 | 2.6151 | 30.7 | 38,031 |
| December 31, 1997 | 25.07 | .0029 | 2.4886 | 33.0 | 50,590 |
| December 31, 1998 | 24.20 | .0142 | 1.2490 | 30.3 | 51,436 |
| December 31, 1999 | 22.61 | .0538 | .5439 | 23.4 | 49,333 |
| December 31, 2000 | 15.16 | — | 5.5800 | 25.9 | 45,063 |
| December 31, 2001 | 16.37 | — | .0357 | 25.5 | 48,764 |
| December 31, 2002 | 12.49 | — | .0311 | 21.4 | 37,299 |
| December 31, 2003 | 17.43 | — | — | 24.2 | 52,051 |
| December 31, 2004 | 19.59 | — | .2679 | 25.3 | 59,309 |
| December 31, 2005 | 19.23 | — | 1.8896 | 25.2 | 63,925 |
| December 31, 2006 | 19.62 | — | .8425 | 23.6 | 68,002 |
| December 31, 2007 | 20.07 | .0008 | 1.7607 | 24.7 | 75,615 |
| December 31, 2008 | 13.93 | .0301 | .0327 | 14.9 | 52,733 |
| December 31, 2009 | 17.76 | .0005 | — | 23.5 | 67,234 |
| December 31, 2010 | 21.85 | — | 1.5377 | 24.8 | 88,494 |
| December 31, 2011 | 20.90 | — | 1.2484(a) | — | 89,672 |
| Class N | | | | | |
| February 28, 2005 ⁽¹⁾ | \$19.30 | \$ — | \$ — | 25.5 times | \$10,000 |
| December 31, 2005 | 19.19 | — | 1.8581 | 25.2 | 10,903 |
| December 31, 2006 | 19.51 | — | .8425 | 23.6 | 11,560 |
| December 31, 2007 | 19.86 | — | 1.7607 | 24.7 | 12,802 |
| December 31, 2008 | 13.78 | .0062 | .0327 | 14.9 | 8,909 |
| December 31, 2009 | 17.54 | .0005 | — | 23.5 | 11,341 |
| December 31, 2010 | 21.50 | — | 1.5377 | 24.8 | 14,888 |
| December 31, 2011 | 20.47 | — | 1.2484(a) | — | 15,034 |

(1) Date of Initial Public Offering.

(2) Based on latest 12 months accomplished earnings.

(3) Assuming reinvestment of all distributions.

(a) Paid on December 23, 2011 to shareholders of record on December 22, 2011.

Approval of Investment Advisory Contract

(unaudited)

In October 2011, the Board of Directors of the Fund renewed the one-year term of the Investment Advisory Agreement by and between the Fund and the Adviser through October 2012. In connection with the renewal of the Investment Advisory Agreement, no changes to the amount or manner of calculation of the management fee or the terms of the agreement were proposed by the Adviser or adopted by the Board. For the semiannual period ended June 30, 2011, the management fee was 0.75% and the Fund's Class I and Class N total expense ratios (including the management fee) were 0.90% and 1.25%, respectively. In renewing the Investment Advisory Agreement, the Board carefully considered the following factors on an absolute basis and relative to the Fund's peer group: (i) the Fund's historical performance; (ii) the Fund's performance relative to its benchmark; (iii) the expense ratios for peer group funds in the small-cap growth category and the Fund's risk/return profile as measured by the standard deviation and the Sharpe Ratio; and (iv) the range and quality of the services offered by the Adviser. The peer group fund data included small-cap growth focused funds with similar asset sizes, number of holdings and market capitalizations and at least a 10-year history. In terms of the peer group data used for performance comparisons, the Fund's Class I total return ranked 6th, 7th, 4th and 5th out of 33 funds for the one-, three-, five- and ten-year periods ending September 30, 2011. The Fund's Class I had the lowest expense ratio among its peer group.

The Board considered the range of services to be provided by the Adviser to the Fund under the Advisory Agreement. The Board concluded that the nature, extent and quality of the services to be provided were consistent with the terms of the Advisory Agreement and the needs of the Fund, and that the services provided were of a high quality.

The Board considered the investment performance of the Fund and the Adviser. Among other things, the Board noted its consideration of the Fund's performance relative to peer funds and its benchmarks. The Board reviewed the actual and relative short-term and long-term performance of the Fund. The Board agreed that the Fund demonstrated satisfactory performance with respect to its benchmarks and peers. The Board also discussed the extent to which economies of scale would be realized, and whether such economies were reflected in the Fund's fee levels and concluded that the Adviser had been instrumental in holding down Fund costs, citing consistently low fees in an environment where fund fees have been on an upward trend.

The Board considered the cost of services provided and the profits to be realized by the Adviser from the relationship with the Fund. The Board concluded that given the Board's focus on performance and maintaining a low fee structure that the Adviser's profits were not relevant.

The Board determined that the Adviser had fully and adequately carried out the terms and conditions of its contract with the Fund. The Board expressed satisfaction with the Fund's performance, strategies to improve relative performance, management's control of expenses and the rate of the management fee for the Fund and the overall level of services provided by the Adviser.

Information on Proxy Voting

(unaudited)

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, upon request by calling 800-544-6547 (toll-free) or 414-276-0535. It also appears in the Fund's Statement of Additional Information, which can be found on the SEC's website, www.sec.gov. A record of how the Fund voted its proxies for the most recent twelve-month period ended June 30, also is available on the Fund's website, www.nicholasfunds.com, and the SEC's website, www.sec.gov.

Quarterly Portfolio Schedule

(unaudited)

The Fund files its complete schedule of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at 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 800-SEC-0330.

Directors and Officers of the Fund

(unaudited)

The following table sets forth the pertinent information about the Fund's directors and officers as of December 31, 2011. Unless otherwise listed, the business address of each director and officer is 700 North Water Street, Milwaukee, WI 53202.

| Name and Age | Positions Held With Fund | Term of Office and Length of Time Served | Principal Occupations During Past 5 Years | Number of Portfolios in Fund Complex Overseen by Director | Other Directorships Held by Director |
|---|---|---|---|--|---|
| INTERESTED DIRECTOR | | | | | |
| David O. Nicholas, 50 ⁽¹⁾ , ⁽³⁾ | President, Director and Portfolio Manager | (2), 7 years | Chief Investment Officer and Director, Nicholas Company, Inc., the Adviser to the Fund. He is Portfolio Manager of Nicholas II, Inc. and the Fund. He is Associate Portfolio Manager of Nicholas Fund, Inc. He formerly served as Co-Portfolio Manager of Nicholas High Income Fund, Inc. and Nicholas Equity Income Fund, Inc. | 3 | None |
| DISINTERESTED DIRECTORS | | | | | |
| Robert H. Bock, 79 | Director | (2), 10 years | Private Investor, Consultant, Dean Emeritus of Business Strategy and Ethics, University of Wisconsin School of Business, 1997 to present. | 5 | None |
| Timothy P. Reiland, 55 | Director | (2), 9 years | Private Investor, Consultant, Chairman and Chief Financial Officer, Musicnotes, Inc., October 2001 to present. Investment Analyst from 1987 to October 2001, Tucker Anthony Incorporated, a brokerage firm. He is a Chartered Financial Analyst. | 5 | None |
| Jay H. Robertson, 60 | Director | (2), 9 years | Private Investor, April 2000 to present. Chairman of the Board of Robertson-Ryan and Associates, Inc., an insurance brokerage firm from 1993 to March 2000. | 6 | None |

Directors and Officers of the Fund (continued)

(unaudited)

| Name and Age | Positions Held With Fund | Term of Office and Length of Time Served | Principal Occupations During Past 5 Years |
|---------------------------------------|--|---|---|
| OFFICERS | | | |
| Albert O. Nicholas, 80 ⁽³⁾ | Executive Vice President | Annual, 25 years | Chief Executive Officer and Chairman of the Board, Nicholas Company, Inc., the Adviser to the Fund. He is Portfolio Manager of Nicholas Fund, Inc. and Co-Portfolio Manager of Nicholas Equity Income Fund, Inc. |
| David L. Johnson, 69 ⁽³⁾ | Executive Vice President | Annual, 25 years | Executive Vice President, Nicholas Company, Inc., the Adviser to the Fund. |
| Jeffrey T. May, 55 | Senior Vice President, Secretary, Treasurer and Chief Compliance Officer | Annual, 18 years | Executive Vice President, Chief Financial Officer and Chief Compliance Officer, Nicholas Company, Inc., the Adviser to the Fund. He is Portfolio Manager of Nicholas Money Market Fund, Inc. |
| Lynn S. Nicholas, 55 ⁽³⁾ | Senior Vice President | Annual, 25 years | Senior Vice President, Nicholas Company, Inc., the Adviser to the Fund. |
| Lawrence J. Pavelec, 53 | Senior Vice President | Annual, 7 years | Senior Vice President, Nicholas Company, Inc., the Adviser to the Fund. He has been Portfolio Manager of Nicholas High Income Fund, Inc., since April 2008. He served as Co-Portfolio Manager from April 2003 until April 2008. |
| Candace L. Lesak, 54 | Vice President | Annual, 18 years | Employee, Nicholas Company, Inc., the Adviser to the Fund. |

- (1) David O. Nicholas is the only director of the Fund who is an “interested person” of the Fund, as that term is defined in the 1940 Act. Mr. Nicholas is a Director of the Adviser and owns 1% of the outstanding voting securities of the Adviser.
- (2) Until duly elected or re-elected at a subsequent annual meeting of the Fund.
- (3) David O. Nicholas and Lynn S. Nicholas are the son and daughter, respectively, of Albert O. Nicholas. David L. Johnson is a brother-in-law of Albert O. Nicholas.

The Fund’s Statement of Additional Information includes additional information about Fund directors and is available, without charge, upon request, by calling 800-544-6547 (toll-free) or 414-276-0535.

Privacy Policy

(unaudited)

Nicholas Limited Edition, Inc. respects each shareholder's right to privacy. We are committed to safeguarding the information that you provide us to maintain and execute transactions on your behalf.

We collect the following non-public personal information about you:

- * Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. This includes, but is not limited to, your name, address, phone number, tax identification number, date of birth, beneficiary information and investment selection.
- * Information about your transactions with us and account history with us. This includes, but is not limited to, your account number, balances and cost basis information. This also includes transaction requests made through our transfer agent.
- * Other general information that we may obtain about you such as demographic information.

**WE DO NOT SELL ANY NON-PUBLIC PERSONAL INFORMATION
ABOUT CURRENT OR FORMER SHAREHOLDERS.**

**INFORMATION SHARED WITH OUR TRANSFER AGENT,
A THIRD PARTY COMPANY, ALSO IS NOT SOLD.**

We may share, only as permitted by law, non-public personal information about you with third party companies. Listed below are some examples of third parties to whom we may disclose non-public personal information. While these examples do not cover every circumstance permitted by law, we hope they help you understand how your information may be shared.

We may share non-public personal information about you:

- * With companies who work for us to service your accounts or to process transactions that you may request. This would include, but is not limited to, our transfer agent to process your transactions, mailing houses to send you required reports and correspondence regarding the Fund and its Adviser, the Nicholas Company, Inc., and our dividend disbursing agent to process fund dividend checks.
- * With a party representing you, with your consent, such as your broker or lawyer.
- * When required by law, such as in response to a subpoena or other legal process.

The Fund and its Adviser maintain policies and procedures to safeguard your non-public personal information. Access is restricted to employees who the Adviser determines need the information in order to perform their job duties. To guard your non-public personal information we maintain physical, electronic, and procedural safeguards that comply with federal standards.

In the event that you hold shares of the Fund with a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

Nicholas Funds Services Offered

(unaudited)

- IRAs
 - Traditional
 - Roth
 - SIMPLE
 - SEP
- Coverdell Education Accounts
- Profit Sharing Plan
- Automatic Investment Plan
- Direct Deposit of Dividend and Capital Gain Distributions
- Systematic Withdrawal Plan with Direct Deposit
- Monthly Automatic Exchange between Funds
- Telephone Redemption
- Telephone Exchange
- 24-hour Automated Account Information (800-544-6547)
- 24-hour Internet Account Access (www.nicholasfunds.com)

Please call a shareholder representative for further information on the above services or with any other questions you may have regarding the Nicholas Funds (800-544-6547).

(This Page Intentionally Left Blank.)

Directors and Officers

DAVID O. NICHOLAS, President and Director
ROBERT H. BOCK, Director
TIMOTHY P. REILAND, Director
JAY H. ROBERTSON, Director
ALBERT O. NICHOLAS, Executive Vice President
DAVID L. JOHNSON, Executive Vice President
JEFFREY T. MAY, Senior Vice President, Secretary,
Treasurer and Chief Compliance Officer
LYNN S. NICHOLAS, Senior Vice President
LAWRENCE J. PAVELEC, Senior Vice President
CANDACE L. LESAK, Vice President

Investment Adviser

NICHOLAS COMPANY, INC.
Milwaukee, Wisconsin
www.nicholasfunds.com
414-276-0535 or 800-544-6547

Transfer Agent

U.S. BANCORP FUND SERVICES, LLC
Milwaukee, Wisconsin
414-276-0535 or 800-544-6547

Distributor

QUASAR DISTRIBUTORS, LLC
Milwaukee, Wisconsin

Custodian

U.S. BANK N.A.
Milwaukee, Wisconsin

Independent Registered Public Accounting Firm

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin

Counsel

MICHAEL BEST & FRIEDRICH LLP
Milwaukee, Wisconsin

This report is submitted for the information of shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.