

THE PERKINS
DISCOVERY
FUND

ANNUAL REPORT

Year Ended
March 31, 2006

April 24, 2006

Dear Shareholders:

For its fiscal year ended March 31, 2006, the Perkins Discovery Fund posted strong results, with a return of 35.15% versus 24.40% for the Russell 2000, 17.03% for the NASDAQ Composite and 11.73% for the S&P 500. We attribute this to a good overall market which was led by small-cap stocks. Three of our best performing stocks were BTU International, Inc., EDAP TMS S.A. ADR, and Matrix Initiatives, Inc. BTU International is a semiconductor technology company. EDAP and Matrix Initiatives are both medical companies. We believe this also reflects the current strength in medical and other technology stocks.

The table below shows the Fund's performance for various periods ended March 31, 2006.

<u>Annualized Total Return</u>	<u>Perkins Discovery Fund</u>	<u>Russell 2000 Index</u>	<u>NASDAQ Composite Index</u>	<u>S&P 500 Index</u>
Since 4-9-98 Inception	18.36%	6.02%	3.20%	3.52%
Five Year	16.78%	11.17%	4.92%	3.97%
Three Year	32.09%	28.01%	20.36%	17.22%
One Year	35.15%	24.40%	17.03%	11.73%

The Fund's performance by calendar year is shown in the table below.

CALENDAR PERIOD	PERKINS			
	DISCOVERY FUND (PDFDX)	RUSSELL 2000 INDEX	NASDAQ COMPOSITE INDEX	S&P 500 INDEX
1998 (Partial Year)	9.67%	-11.23%	21.34%	12.84%
1999	67.54%	19.62%	85.58%	21.03%
2000	7.61%	-4.20%	-39.29%	-9.15%
2001	17.76%	1.03%	-21.05%	-11.91%
2002	-31.18%	-21.58%	-31.53%	-22.18%
2003	67.87%	45.38%	50.01%	28.62%
2004	22.55%	17.00%	8.59%	10.92%
2005	1.13%	3.32%	1.37%	4.88%
2006 (YTD to 03/31/06)	15.17%	13.65%	6.10%	4.28%
Annualized – Discovery (Inception to 03/31/06)	18.36%	6.02%	3.20%	3.52%

Please note that performance data quoted represents past performance; past performance does not guarantee 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 funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-366-8361.

A market study that we often look at is the “Dow Jones Four-Year Presidential Cycle”, which is a composite of all election cycles since 1900 that is compiled by Ned Davis Research. It typically results in an up market well into the post-election year and in the spring of the second presidential year followed by a correction and buying opportunity in the fall of the second presidential year. At this point, we are well into the spring of the second presidential year and the market has continued to be strong so we may have more upside ahead before a decline into the fall.

Another market study that we keep an eye on is the Leuthold Group’s “Small Cap Stocks Vs. Large Caps (Total Returns)”, which is the relative strength between the Russell 2000 and the S&P 500. It shows that we are now in the seventh or eighth year of a cycle of general outperformance by small-cap stocks. In the past, some cycles have not lasted this long but others have lasted as long as ten or eleven years. Currently, this chart suggests that the Small Cap leadership is continuing. That being said, small-cap stocks have now reached a range of overvaluation relative to large-caps. This tells us that stock selection will become even more important for us in the future.

We cannot control the action of the market; however, we will continue to pick stocks that we believe can do well over the long term using the same bottom-up selection process of looking for small companies that are benefiting from positive change. And, of course, we continue to monitor our holdings. Some of these are approaching levels where they will be sold, even though they continue to be good companies. Others will not work out in the way we anticipated and will be candidates to be sold. Both will be replaced with new ideas, as part of an ongoing process.

We believe the Discovery Fund is well-positioned in micro-cap growth stocks. Its top five holdings in terms of market value are BTU International, Inc., Insignia Systems, Inc., MEDTOX Scientific, Inc., IntegraMed America, Inc., and the Exploration Co. of Delaware, Inc. It also has many other holdings that we believe hold significant promise for the future.

Thank you for your continued support.

Sincerely,

Handwritten signatures of Richard W. Perkins and Daniel S. Perkins in cursive script.

Richard W. Perkins, C.F.A.
President

Daniel S. Perkins, C.F.A.
Vice President

The above discussion is based on the opinions of Richard W. Perkins or Daniel S. Perkins and is subject to change. It is not intended to be a forecast of future events, a guarantee of future results and should not be considered a recommendation to buy or sell any security.

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

Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Perkins Discovery Fund nor any of its representatives may give legal or tax advice.

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; the Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization; and the NASDAQ Composite Index is a market capitalization-weighted index that is designed to represent the performance of the National Market System, which includes over 5,000 stocks traded only over-the-counter and not on an exchange. One cannot invest directly in an index.

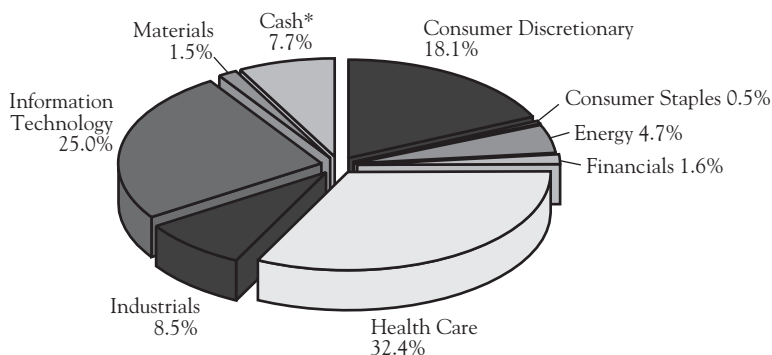
Please refer to the schedule of investments for more information regarding fund holdings. Fund holdings are subject to change and are not recommendations to buy or sell any security.

Must be preceded or accompanied by a prospectus. Please refer to the prospectus for important information about the investment company including investment objectives, risks, charges and expenses.

The Perkins Discovery Fund is distributed by Quasar Distributors, LLC. (05/06)

The Perkins Discovery Fund

SECTOR ALLOCATION at March 31, 2006 (Unaudited)



* Cash equivalents and other assets less liabilities.

EXPENSE EXAMPLE For the Six Months Ended March 31, 2006 (Unaudited)

As a shareholder of the Perkins Discovery Fund (“the Fund”), you incur two types of costs: (1) transaction costs, including redemptions fees and exchange fees and (2) ongoing costs, including investment advisory 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 (10/01/05 – 3/31/06).

Actual Expenses

The first line of the tables below provides information about actual account values based on actual returns and actual expenses. Although the Fund charges no sales load or other transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund’s transfer agent. If you request that a redemption be made by wire transfer, currently, the Fund’s transfer agent charges a \$15.00 fee. You will be charged a redemption fee equal to 1% of the net amount of the redemption if you redeem shares that have been held for less than three months. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of other investment companies as part of their investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds may vary. These expenses are not included in the example below. The

The Perkins Discovery Fund

EXPENSE EXAMPLE For the Six Months Ended March 31, 2006 (Unaudited) (Continued)

example below includes, but is not limited to, investment advisory, shareholder servicing, fund accounting, custody and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses, interest expense or dividends on short positions taken by the Fund and other extraordinary expenses as determined under generally accepted accounting principles. 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.

Hypothetical Example for Comparison Purposes

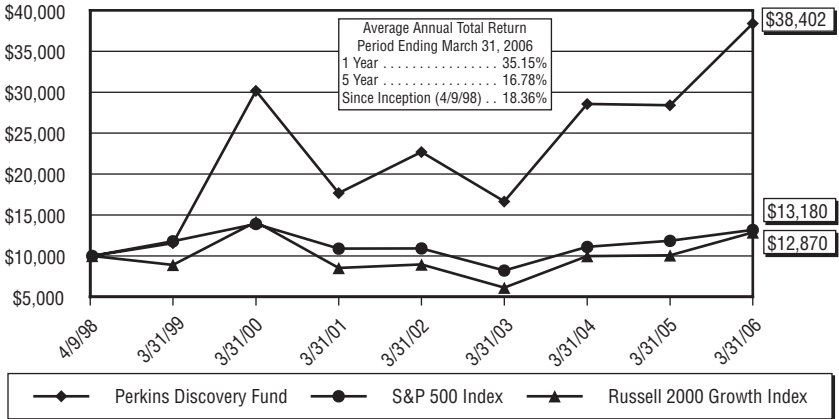
The second line of the tables below provides information about hypothetical account values based on a hypothetical return and hypothetical expenses based on the Fund's actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the 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.

	Beginning Account Value 10/1/05	Ending Account Value 3/31/06	Expenses Paid During the Period 10/1/05 – 3/31/06*
Actual	\$1,000	\$1,212	\$13.79
Hypothetical (5% annual return before expenses)	\$1,000	\$1,012	\$12.54

* Expenses are equal to the Fund's annualized expense ratio for the most recent six month period of 2.50% (reflecting fee waivers in effect) multiplied by the average account value over the period multiplied by 182/365 (to reflect the one-half year period).

The Perkins Discovery Fund

Value of \$10,000 vs S&P 500 Index and Russell 2000 Growth Index



This chart illustrates the performance of a hypothetical \$10,000 investment made on April 9, 1998 (the "Fund's inception") and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The chart assumes reinvestment of capital gains and dividends, but does not reflect the redemption of fees.

As of 3/31/06 the Russell 2000 Growth Index returned 27.84%, 8.59%, 3.21% for the one-year, five-year and since inception (4/9/98) periods, respectively. As of 3/31/06 the S&P 500 Index returned 11.73%, 3.97%, 3.52% for the one-year, five-year and since inception (4/9/98) periods, respectively.

The performance data quoted above represents past performance. Past performance does not guarantee 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 calling (800) 366-8361.

The Russell 2000 Growth Index is an unmanaged index representing those Russell 2000 Index companies with higher price-book ratios and future projected earnings. Returns include reinvested dividends. The S&P 500 Index is an unmanaged index which is widely regarded as the standard for measuring large-cap U.S. stock market performance. Returns include reinvested dividends. One cannot directly invest in an index.

The Perkins Discovery Fund

SCHEDULE OF INVESTMENTS at March 31, 2006

Shares	Value	Shares	Value
COMMON STOCKS: 92.3%		Health Care – Products: 10.2% (Continued)	
Capital Goods: 5.5%		50,000	Cardiotech
40,000	BTU		International, Inc.* \$ 139,000
	International, Inc.*	15,000	Cholestech Corp.* 195,450
	\$ 657,200	35,000	Criticare Systems, Inc.* 159,250
Commercial Services & Supplies: 7.3%		20,000	EDAP TMS
28,000	Cash Systems, Inc.*		S.A. ADR* 356,400
2,100	CECO	4,500	Hypertension
	Environmental Corp.*		Diagnosics, Inc.* 1,350
27,500	IntegraMed	30,000	MEDTOX
	America, Inc.*		Scientific, Inc.* 277,800
30,000	National Technical		<u>1,217,750</u>
	Systems, Inc.*		
12,500	UTEK Corp.	Health Care – Services: 5.2%	
	156,250	25,000	American Shared
	<u>866,916</u>		Hospital Services 168,750
Computers: 6.8%		1,700	Corvel Corp.* 37,434
22,500	Applix, Inc.*	40,000	Digital Angel Corp.* 172,000
28,600	Datalink Corp.*	100,000	Health Fitness Corp.* 242,500
40,000	HEI, Inc.*		<u>620,684</u>
150,000	Mitek Systems, Inc.*	Hotels Restaurants & Leisure: 2.9%	
7,500	Rimage Corp.*	20,000	Bally Total Fitness
	169,350		Holding Corp.* 187,400
	<u>807,271</u>	30,000	Youbet.com, Inc.* 163,800
Consumer Durables & Apparel: 1.3%			<u>351,200</u>
15,000	Cobra	Internet: 2.8%	
	Electronics Corp.*	100,000	I-many, Inc.* 160,000
	158,850	15,000	Stellent, Inc. 177,900
Energy: 2.4%			<u>337,900</u>
25,000	The Exploration	Leisure Equipment & Products: 1.5%	
	Company of	15,000	Nature Vision, Inc.* 171,750
	Delaware*	Materials: 1.5%	
	281,000	70,000	PolyMet
Health Care Equipment & Supplies: 11.4%			Mining Corp.* 180,460
60,000	I-trax, Inc.*	Media: 7.9%	
14,000	Micrus	165,000	ACT Teleconferencing,
	Endovascular Corp.*		Inc.* 25,575
12,500	Possis Medical, Inc.*	550,000	Insignia Systems, Inc.* 561,000
37,500	Rita Medical	40,000	Navarre Corp.* 171,600
	Systems, Inc.*	25,000	WPT Enterprises, Inc.* 184,000
37,500	Sonic		<u>942,175</u>
	Innovations, Inc.*	Health Care – Products: 10.2%	
25,000	Spectranetics Corp.*	150,000	CardioGenesis Corp.* 88,500
128,000	SpectraScience, Inc.*		
	198,400		
	<u>1,357,885</u>		

See accompanying Notes to Financial Statements.

The Perkins Discovery Fund

SCHEDULE OF INVESTMENTS at March 31, 2006 (Continued)

<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
COMMON STOCKS: 92.3% (Continued)		RIGHTS: 0.0%	
Oil & Gas: 2.3%		Computers: 0.0%	
15,000 Double Eagle Petroleum Co.*	\$ 275,550	2,500 Intelli-Check, Inc. Rights., Expiration 6/30/06*	\$ —
Personal Products: 0.6%		TOTAL RIGHTS:	
10,000 Natural Health Trends Corp.*	67,500	(cost \$0)	—
Pharmaceuticals: 2.9%		SHORT-TERM INVESTMENTS: 8.8%	
15,000 Matrixx Initiatives, Inc.*	349,500	Money Market Investments: 8.8%	
Retail: 4.5%		400,000 AIM Liquid Assets	400,000
40,000 Appliance Recycling Centers of America, Inc.*	242,000	401,332 AIM Short Term Prime Institutional Class	401,332
30,000 Granite City Food & Brewery Ltd.*	141,000	253,307 Fidelity Institutional Money Market Portfolio	253,307
8,500 Rush Enterprises, Inc. - Class A*	149,430	TOTAL SHORT-TERM INVESTMENTS	
	532,430	(cost \$1,054,639)	1,054,639
Software & Services: 5.3%		TOTAL INVESTMENTS IN SECURITIES: 101.1%	
8,000 Ebix, Inc.*	162,000	(cost \$8,975,093)	12,066,100
25,000 Edgewater Technology, Inc.*	163,500	Liabilities in excess of Other Assets: (1.1)%	(128,742)
20,000 eLoyalty Corp.*	308,400	NET ASSETS: 100.0%	\$11,937,358
	633,900		
Technology Hardware & Equipment: 7.8%			
27,500 Addvantage Technologies Group, Inc.*	162,250		
40,000 Ciprico, Inc.*	241,200		
22,500 Globecom Systems, Inc.*	166,500		
35,000 Innovex, Inc.*	181,650		
7,500 Optelecom-NKF, Inc.*	184,500		
	936,100		
Telecommunications: 2.2%			
12,000 Micronetics, Inc.*	265,440		
TOTAL COMMON STOCKS			
(cost \$7,920,454)	11,011,461		

ADR – American Depository Receipt.

* Non-income producing security.

See accompanying Notes to Financial Statements.

The Perkins Discovery Fund

STATEMENTS OF ASSETS AND LIABILITIES at March 31, 2006

ASSETS

Investments in securities, at value (cost \$8,975,093) (Note 2)	\$12,066,100
Receivables:	
Fund shares sold	114,705
Dividends and interest	3,760
Prepaid expenses	17,846
Total assets	<u>12,202,411</u>

LIABILITIES

Payables:	
Fund shares redeemed	1,000
Investment securities purchased	207,347
Advisory fees	9,881
Administration fees	2,548
Custody fees	709
Distribution fees	5,458
Fund accounting fees	5,341
Transfer agent fees	5,733
Chief compliance officer fees	500
Other accrued expenses	26,536
Total liabilities	<u>265,053</u>

NET ASSETS \$11,937,358

Net asset value, offering and redemption price per share (\$11,937,358/430,853, shares outstanding; unlimited number of shares authorized without par value)	<u><u>\$27.71</u></u>
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COMPONENTS OF NET ASSETS

Paid-in capital	\$ 8,503,835
Accumulated net realized gain on investments	342,516
Net unrealized appreciation on investments	3,091,007
Net assets	<u><u>\$11,937,358</u></u>

See accompanying Notes to Financial Statements.

The Perkins Discovery Fund

STATEMENT OF OPERATIONS For the Year Ended March 31, 2006

INVESTMENT INCOME

Dividends	\$ 11,188
Interest	<u>33,415</u>
Total investment income	<u>44,603</u>

EXPENSES (Note 3)

Advisory fees	74,177
Administration fees	29,999
Transfer agent fees	26,832
Fund accounting fees	21,827
Distribution fees	18,544
Audit fees	17,448
Registration fees	17,165
Reports to shareholders	12,608
Legal fees	7,247
Trustee fees	6,640
Custody fees	4,093
Chief compliance officer fees	3,000
Miscellaneous	2,967
Insurance expense	<u>902</u>
Total expenses	243,449
Less: fees waived (Note 3)	<u>(58,007)</u>
Net expenses	<u>185,442</u>
Net investment loss	<u>(140,839)</u>

REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain on investments	364,614
Change in net unrealized appreciation on investments ...	<u>2,341,320</u>
Net realized and unrealized gain on investments	<u>2,705,934</u>
Net increase in net assets resulting from operations .	<u>\$2,565,095</u>

See accompanying Notes to Financial Statements.

The Perkins Discovery Fund

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended March 31, 2006	Year Ended March 31, 2005
INCREASE (DECREASE) IN NET ASSETS FROM:		
OPERATIONS		
Net investment loss	\$ (140,839)	\$ (182,994)
Net realized gain on investments	364,614	696,711
Change in net unrealized appreciation (depreciation) on investments	<u>2,341,320</u>	<u>(608,842)</u>
Net increase (decrease) in net assets resulting from operations	<u>2,565,095</u>	<u>(95,125)</u>
DISTRIBUTIONS TO SHAREHOLDERS		
From net realized gain	<u>(513,698)</u>	<u>(231,866)</u>
CAPITAL SHARE TRANSACTIONS		
Net increase (decrease) in net assets derived from net change in outstanding shares (a)(b)	<u>3,137,859</u>	<u>(871,143)</u>
Total increase (decrease) in net assets	<u>5,189,256</u>	<u>(1,198,134)</u>
NET ASSETS		
Beginning of Year	<u>6,748,102</u>	<u>7,946,236</u>
End of Year	<u>\$11,937,358</u>	<u>\$ 6,748,102</u>

(a) Summary of capital share transactions is as follows:

	Year Ended March 31, 2006		Year Ended March 31, 2005	
	Shares	Value	Shares	Value
Shares sold	226,057	\$ 5,366,574	159,784	\$ 3,803,611
Shares issued in reinvestment of distributions	20,544	462,444	8,332	206,226
Shares redeemed (b)	<u>(115,417)</u>	<u>(2,691,159)</u>	<u>(209,417)</u>	<u>(4,880,980)</u>
Net increase (decrease)	<u>131,184</u>	<u>\$ 3,137,859</u>	<u>(41,301)</u>	<u>\$ (871,143)</u>

(b) Net of redemption fees of \$3,404 and \$17,810, respectively.

See accompanying Notes to Financial Statements.

The Perkins Discovery Fund

FINANCIAL HIGHLIGHTS For a capital share outstanding throughout each year

	Year Ended March 31,				
	2006	2005	2004	2003	2002
Net asset value, beginning of year	<u>\$22.52</u>	<u>\$23.30</u>	<u>\$13.58</u>	<u>\$18.61</u>	<u>\$16.25</u>
INCOME FROM INVESTMENT OPERATIONS:					
Net investment loss	(0.33)	(0.61)	(0.50)	(0.40)	(0.11)
Net realized and unrealized gain (loss) on investments	<u>7.72</u>	<u>0.49</u>	<u>10.03</u>	<u>(4.66)</u>	<u>4.59</u>
Total from investment operations	<u>7.39</u>	<u>(0.12)</u>	<u>9.53</u>	<u>(5.06)</u>	<u>4.48</u>
LESS DISTRIBUTIONS:					
From net realized gain	<u>(2.21)</u>	<u>(0.72)</u>	<u>—</u>	<u>(0.07)</u>	<u>(2.13)</u>
Paid-in capital from redemption fees (Note 2)	<u>0.01</u>	<u>0.06</u>	<u>0.19</u>	<u>0.10</u>	<u>0.01</u>
Net asset value, end of year	<u>\$27.71</u>	<u>\$22.52</u>	<u>\$23.30</u>	<u>\$13.58</u>	<u>\$18.61</u>
Total return	35.15%	(0.54)%	71.58%	(26.65)%	28.37%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of year (millions)	\$11.9	\$6.7	\$7.9	\$3.0	\$6.9
RATIO OF EXPENSES TO AVERAGE NET ASSETS:					
Before fees waived and expenses absorbed	3.28%	2.93%	2.94%	4.56%	7.49%
After fees waived and expenses absorbed	2.50%	2.50%	2.50%	2.50%	2.50%
RATIO OF NET INVESTMENT LOSS TO AVERAGE NET ASSETS:					
Before fees waived and expenses absorbed	(2.68)%	(2.67)%	(2.79)%	(4.20)%	(6.87)%
After fees waived and expenses absorbed	(1.90)%	(2.24)%	(2.35)%	(2.14)%	(1.88)%
Portfolio turnover rate	77.56%	35.52%	103.20%	54.67%	49.92%

See accompanying Notes to Financial Statements.

The Perkins Discovery Fund

NOTES TO FINANCIAL STATEMENTS March 31, 2006

NOTE 1 – ORGANIZATION

The Perkins Discovery Fund (the “Fund”) is a diversified series of shares of beneficial interest of Professionally Managed Portfolios (the “Trust”), which is registered under the Investment Company Act of 1940 (the “1940 Act”) as an open-end management investment company. The Fund began operations on April 9, 1998.

The Fund’s primary investment objective is long-term capital appreciation with an emphasis in investing in domestic common stocks.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with accounting principles generally accepted in the United States of America.

- A. *Security Valuation.* Securities traded on a national securities exchange are valued at the last reported sale price on the day of valuation, or if there has been no sale on such day, at the mean between the bid and asked prices. Securities primarily traded on NASDAQ shall be valued using the NASDAQ Official Closing Price (“NOCP”). If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation, or if there has been no sale on such day, at the mean between the bid and asked prices. Over-the-counter securities that are not traded on NASDAQ shall be valued at the most recent trade price. Securities for which quotations are not readily available are fair valued as determined in good faith by the Board of Trustees. When a security is “fair valued,” consideration is given to the facts and circumstances relevant to the particular situation, including a review of various factors set forth in the pricing procedures adopted by the Fund’s Board. Fair value pricing is an inherently subjective process, and no single standard exists for determining fair value. Different funds could reasonably arrive at different values for the same security. The use of fair value pricing by a fund may cause the net asset value of its shares to differ significantly from the net asset value that would be calculated without regard to such considerations. As of March 31, 2006, the Fund did not hold any fair valued securities. Short term securities that have maturities of less than 60 days are valued at amortized cost, which when combined with accrued interest, approximates market value.
- B. *Federal Income Taxes.* The Fund has elected to be taxed as “regulated investment company” and intends to distribute substantially all taxable income to its shareholders and otherwise comply with the provisions of

The Perkins Discovery Fund

NOTES TO FINANCIAL STATEMENTS March 31, 2006 (Continued)

the Internal Revenue Code applicable to regulated investment companies. Therefore, no provision for federal income taxes or excise taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, the Fund intends to declare each year as dividends in each calendar year at least 98% of its net investment income (earned during the calendar year) and 98% of its net realized capital gains (earned during the twelve months ended October 31) plus undistributed amounts, if any, from prior years.

Net capital losses incurred after October 31, and within the taxable year are deemed to arise on the first business day of the Fund's next taxable year.

- C. *Security Transactions and Investment Income.* Investment securities transactions are accounted for on the trade date. Gains and losses realized on sales of securities are determined on a specific identification basis. Discounts/premiums on debt securities purchased are accreted/amortized over the life of the respective securities using the effective interest method. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.
- D. *Distributions to Shareholders.* Distributions to shareholders from net investment income and net realized gains on securities for the Fund normally are declared and paid on an annual basis. Distributions are recorded on the ex-dividend date.
- E. *Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- F. *Share Valuation.* The net asset value ("NAV") per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for each Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the NYSE is closed for trading. The offering and redemption price per share for the Fund is equal to the Fund's net asset value per share. The Fund charges a 1.00% redemption fee on shares held less than three months. These fees are deducted from the

The Perkins Discovery Fund

NOTES TO FINANCIAL STATEMENTS March 31, 2006 (Continued)

redemption proceeds otherwise payable to the shareholder. The Fund will retain the fee charged as paid-in capital and such fees become part of that Fund's daily NAV calculation.

- G. *Reclassification of Capital Accounts.* Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent difference be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended March 31, 2006, the Fund increased accumulated net investment loss by \$140,839 and decreased paid-in capital by \$140,839.

NOTE 3 – COMMITMENTS AND OTHER RELATED PARTY TRANSACTIONS

Perkins Capital Management, Inc. (the "Advisor") provides the Fund with investment management services under an Investment Advisory Agreement (the "Agreement"). Under the Agreement, the Advisor furnishes all investment advice, office space, certain administrative services, and provides most of the personnel needed by the Fund. As compensation for its services, the Advisor is entitled to a monthly fee at the annual rate of 1.00% based upon the average daily net assets of the Fund. For the year ended March 31, 2006, The Perkins Discovery Fund incurred \$74,177 in advisory fees.

The Advisor has contractually agreed to limit the Fund's expenses so that its annual ratio of expenses to average net assets will not exceed 2.50%. For the year ended March 31, 2006, the Advisor has waived \$58,007 in fees for the Fund.

The Advisor is permitted to seek reimbursement from the Fund, subject to limitations for fees waived and/or Fund expenses it pays over the following three years after payment. At March 31, 2006, the remaining cumulative unreimbursed amount paid and/or waived by the Advisor on behalf of the Fund that may be recouped was \$124,677. The Advisor may recapture a portion of the above amount no later than the dates as stated below:

<u>Year of Expiration</u>	<u>Amount</u>
March 31, 2007	\$31,661
March 31, 2008	35,009
March 31, 2009	58,007

The Fund must pay its current ordinary operating expenses before the Advisor is entitled to any reimbursement of fees and/or expenses. Any such reimbursement is also contingent upon Board of Trustees review and approval prior to the time the reimbursement is initiated.

The Perkins Discovery Fund

NOTES TO FINANCIAL STATEMENTS March 31, 2006 (Continued)

U.S. Bancorp Fund Services, LLC (“USBFS”), an indirect wholly-owned subsidiary of U.S. Bancorp, serves as the Fund’s Administrator (the “Administrator”) and, in that capacity, performs various administrative and accounting services for the Fund. USBFS also serves as the Fund’s fund accountant, transfer agent, dividend disbursing agent and registrar. The Administrator prepares various federal and state regulatory filings, reports and returns for the Fund; prepares reports and materials to be supplied to the trustees; monitors the activities of the Fund’s custodian, transfer agent and accountants; coordinates the preparation and payment of the Fund’s expenses and reviews the Fund’s expense accruals. For its services, the Administrator receives a monthly fee at the following annual rate:

Under \$12 million	\$30,000
\$12 to \$50 million	0.25% of average daily net assets
\$50 to \$100 million	0.20% of average daily net assets
\$100 to \$200 million	0.15% of average daily net assets
Over \$200 million	0.10% of average daily net assets

For the year ended March 31, 2006, the Fund incurred administration fees of \$29,999.

Quasar Distributors, LLC (the “Distributor”) acts as the Fund’s principal underwriter in a continuous public offering of the Fund’s shares. U.S. Bank, N.A. serves as custodian (the “Custodian”) to the Fund. Both the Distributor and Custodian are affiliates of the Administrator. Certain officers and trustees of the Trust are also officers and/or directors of the Administrator or Distributor.

The Fund has adopted a Distribution Plan (the “Plan”) in accordance with Rule 12b-1 under the 1940 Act. The Plan provides that the Fund may pay a fee to the Advisor as Distribution Coordinator at an annual rate of up to 0.25% of the average daily net assets of the Fund. The Fund pays a fee to the Advisor as compensation for distribution-related activities, not reimbursement for specific expenses. For the year ended March 31, 2006, the Fund paid fees of \$18,544 to the Advisor.

For the year ended March 31, 2006, the Fund was allocated \$3,000 of the Trust’s Chief Compliance Officer fee.

NOTE 4 – PURCHASES AND SALES OF SECURITIES

For the year ended March 31, 2006, the cost of purchases and the proceeds from sales of securities for the Fund, excluding short-term securities, was \$7,087,616 and \$5,176,578, respectively.

The Perkins Discovery Fund

NOTES TO FINANCIAL STATEMENTS March 31, 2006 (Continued)

There were no purchases or sales of U.S. Government obligations for the year ended March 31, 2006.

NOTE 5 – REPURCHASE AGREEMENTS

The Fund may enter into repurchase agreements with government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System or with such other brokers or dealers that meet the credit guidelines established by the Board of Trustees. The Fund will always receive and maintain, as collateral, securities whose market value, including accrued interest, will be at least equal to 100% of the dollar amount invested by the Fund in each agreement. If the seller defaults and the value of the collateral declines, or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

NOTE 6 – DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid by the Fund during the years ended March 31, 2006 and 2005 was as follows:

	<u>2006</u>	<u>2005</u>
<i>Distributions paid from:</i>		
Long-term capital gain	\$186,629	\$231,886
Short-term capital gain	\$327,069	—

As of March 31, 2006, the components of distributable earnings on a tax basis were as follows:

Cost of investments	<u>\$8,996,027</u>
Gross tax unrealized appreciation	3,412,446
Gross tax unrealized depreciation	(342,373)
Net tax unrealized appreciation	<u>\$3,070,073</u>
Undistributed ordinary income	—
Undistributed long-term capital gain	<u>363,450</u>
Total distributable earnings	<u>\$3,433,523</u>
Other accumulated gains/(losses)	—
Total accumulated earnings/(losses)	<u><u>\$3,433,523</u></u>

The Perkins Discovery Fund

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of The Perkins Discovery Fund and the Board of Trustees of Professionally Managed Portfolios

We have audited the accompanying statement of assets and liabilities, including the schedule of investments of The Perkins Discovery Fund, a series of shares of Professionally Managed Portfolios, as of March 31, 2006, and the related statement of operations for the year then ended, the statement 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 audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audit 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 Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2006, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Perkins Discovery Fund as of March 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, presented in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
April 28, 2006

The Perkins Discovery Fund

TRUSTEES AND EXECUTIVE OFFICERS

The overall management of the business and affairs of the Trust is vested with its Board of Trustees (the “Board”). The Board approves all significant agreements between the Trust and persons or companies furnishing services to it, including the agreements with the Advisor, the Administrator, Custodian and Transfer Agent. The day-to-day operations of the Trust are delegated to its officers, subject to the Fund’s investment objectives, strategies, and policies and to general supervision by the Board.

The current Trustees and executive officers of the Trust, their dates of birth and positions with the Trust, term of office with the Trust and length of time served, their principal occupations for the past five years and other directorships held are set forth in the table below. Unless noted otherwise, each person has held the position listed for a minimum of five years.

Name, Address and Age	Position with the Trust	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund	
				Complex* Overseen by Trustees	Other Directorships Held
<u>Independent Trustees of the Trust</u>					
Dorothy A. Berry (born 1943) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Chairman and Trustee	Indefinite Term since May 1991.	President, Talon Industries, Inc. (administrative, management and business consulting); formerly Chief Operating Officer, Integrated Asset Management (investment advisor and manager) and formerly President, Value Line, Inc. (investment advisory and financial publishing firm).	1	None.
Wallace L. Cook (born 1939) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term since May 1991.	Financial Consultant; formerly Senior Vice President, Rockefeller Trust Co.; Financial Counselor, Rockefeller & Co.	1	None.

The Perkins Discovery Fund

TRUSTEES AND EXECUTIVE OFFICERS (Continued)

Name, Address and Age	Position with the Trust	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex* Overseen by Trustees	Other Directorships Held
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Independent Trustees of the Trust (Continued)

Carl A. Froebel (born 1938) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term since May 1991.	Owner, Golf Adventures, LLC, (Vacation Services). Formerly President and Founder, National Investor Data Services, Inc. (investment related computer software).	1	None.
Steven J. Paggioli (born 1950) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term since May 1991.	Consultant since July 2001; formerly Executive Vice President, Investment Company Administration, LLC ("ICA") (mutual fund administrator).	1	Trustee, Managers Funds; Trustee, Managers AMG Funds; Director, Guardian Mutual Funds.
Rowley W.P. Redington (born 1944) 2020 E. Financial Way Suite 100 Glendora, CA 91741	Trustee	Indefinite Term since May 1991.	President; Intertech Computer Services Corp. (computer services and consulting).	1	None.

Officers of the Trust

Robert M. Slotky (born 1947) 2020 E. Financial Way Suite 100 Glendora, CA 91741	President	Indefinite Term since August 2002.	Vice President, U.S. Bancorp Fund Services, LLC since July 2001; formerly, Senior Vice President, ICA (May 1997-July 2001).	1	Not Applicable.
	Chief Compliance Officer	Indefinite Term since September 2004.			
	Anti-Money Laundering Officer	Indefinite Term since December 2005.			

The Perkins Discovery Fund

TRUSTEES AND EXECUTIVE OFFICERS (Continued)

Name, Address and Age	Position with the Trust	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund	
				Complex* Overseen by Trustees	Other Directorships Held

Officers of the Trust (Continued)

Eric W. Falkeis (born 1973) 615 East Michigan St. Milwaukee, WI 53202	Treasurer	Indefinite Term since August 2002.	Chief Financial Officer, U.S. Bancorp Fund Services, LLC since April 2006; formerly Vice President, U.S. Bancorp Fund Services, LLC; formerly Chief Financial Officer, Quasar Distributors, LLC.	1	Not Applicable.
Angela L. Pingel (born 1971) 615 East Michigan St. Milwaukee, WI 53202	Secretary	Indefinite Term since December 2005.	Counsel, U.S. Bancorp Fund Services LLC since 2004; formerly, Associate, Krukowski & Costello, S.C., (2002-2004); formerly, Vice President – Investment Operations, Heartland Advisors, Inc. (1994-2002).	1	Not Applicable.

All Trustees of the Trust are not “interested persons” of the Trust as defined under the 1940 Act.

* The Trust is comprised of numerous series managed by unaffiliated investment advisers. The term “Fund Complex” applies only to the Fund. The Fund does not hold itself out as related to any other series within the Trust for investment purposes.

The Perkins Discovery Fund

LIQUIDATION OF THE PERKINS OPPORTUNITY FUND (Unaudited)

On December 7, 2005, the Perkins Opportunity Fund was liquidated and was closed. Due to the shrinking asset base, increasing expense ratio and current performance history, the Perkins Opportunity Fund's management and the Board of Trustees had determined that it was in the best interest of the shareholders of the Perkins Opportunity Fund to liquidate the Fund.

FEDERAL TAX INFORMATION (Unaudited)

The Fund designates 3.5% of the dividends declared from net investment income during the year ended March 31, 2006 as qualified income under the Jobs Growth and Tax Reconciliation Act of 2003.

For the year ended March 31, 2006, 3.5% of the ordinary distributions paid by The Perkins Discovery Fund, qualify for the dividend received deduction available to corporate shareholders.

INFORMATION ABOUT 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 toll-free at (800) 280-4779, by accessing the Fund's website at www.perkinscapital.com, or by accessing the SEC's website at www.sec.gov.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve months ending June 30 is available by calling (800) 280-4779 and on the SEC's website at www.sec.gov.

INFORMATION ABOUT THE PORTFOLIO HOLDINGS (Unaudited)

The Fund files its complete schedule of portfolio holdings for its first and third fiscal quarters with the SEC on Form N-Q. The Fund's Form N-Q is available without charge, upon request, by calling (800) 280-4779. Furthermore, you can obtain the Form N-Q on the SEC's website at www.sec.gov.

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(800) 998-3190
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Custodian
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Cincinnati, OH 45202

Transfer Agent
U.S. BANCORP FUND SERVICES, LLC
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Independent Registered Public Accounting Firm
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The Perkins Discovery Fund
Symbol – PDFDX
CUSIP – 742935711