UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[**X**] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2006

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 33-26115

PATRIOT TRANSPORTATION HOLDING, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	**59-2924957**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
1801 Art Museum Drive, Jacksonville, Florida	**32207**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **904/396-5733**

Securities registered pursuant to Section 12(b) of the Act:
Common Stock $.10 par value
(Title of class)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No **X**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes __ No **X**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **X** No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **[ ]**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer[ ] Accelerated filer[X] Non-accelerated filer[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes _____ No **X**
The number of shares of the registrant's stock outstanding as of November 14, 2006 was 3,011,629. The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant as of March 31, 2006, the last day of business of our most recently completed second fiscal quarter, was $87,908,972. Solely for purposes of this calculation,

the registrant has assumed that all directors, officers and ten percent (10%) shareholders of the Company are affiliates of the registrant.

Documents Incorporated by Reference

Portions of the Patriot Transportation Holding, Inc. 2006 Annual Report to Shareholders are incorporated by reference in Parts I and II.

Portions of the Patriot Transportation Holding, Inc. Proxy Statement which will be filed with the Securities and Exchange Commission not later than December 31, 2006 are incorporated by reference in Part III.

PART I

Item 1. BUSINESS.

Patriot Transportation Holding, Inc., which was incorporated in Florida in 1988, and its subsidiaries (the "Company") are engaged in the transportation and real estate businesses.

The Company has two business segments: transportation and real estate. Industry segment information is presented in Notes 2 and 11 to the consolidated financial statements included in the accompanying 2006 Annual Report to Shareholders and is incorporated herein by reference.

The Company’s transportation business is conducted through two wholly owned subsidiaries, Florida Rock & Tank Lines, Inc. ("Tank Lines"), and SunBelt Transport, Inc. ("SunBelt"). Tank Lines is a Southeastern U.S. based transportation company concentrating in the hauling of primarily petroleum related bulk liquids and dry bulk commodities by tank trailers. SunBelt serves the flatbed portion of the trucking industry primarily in the Southeastern U.S., hauling primarily construction materials.

The Company’s real estate activities are conducted through two wholly owned subsidiaries. Florida Rock Properties, Inc. ("Properties") and FRP Development Corp. ("Development"). Properties owns real estate of which a substantial portion is under mining royalty agreements or leased to Florida Rock Industries, Inc. ("FRI"), a related party. FRI accounted for approximately 30% of the Company’s real estate revenues for fiscal 2006. Properties also owns certain other real estate for investment. Development owns, manages and develops commercial warehouse/office rental properties near Baltimore, Maryland. Substantially all of the real estate operations are conducted within the Southeastern and Mid-Atlantic United States.

Revenues from royalties and from a portion of the trucking operations are subject to factors affecting the level of general construction activity. A decrease in the level of general construction activity in any of the Company's market areas may have an adverse effect on such revenues and income derived therefrom.

Transportation. During fiscal 2006, Tank Lines operated from terminals in Jacksonville, Orlando, Panama City, Pensacola, Tampa and White Springs, Florida; Albany, Atlanta, Augusta, Bainbridge, Columbus, Dalton, Macon and Savannah, Georgia; Knoxville, Tennessee; Montgomery, Alabama; and Wilmington, North Carolina. Tank Lines has from two to six major tank truck competitors in each of its markets.

SunBelt’s flatbed fleet is based in Jacksonville and Tampa, Florida; Atlanta and Savannah, Georgia; South Pittsburg, Tennessee; Mobile, Alabama; and Selma, North Carolina, and hauls primarily building and construction materials in the Southeastern U.S. There are at least ten major competitors in SunBelt’s market area and numerous small competitors in the various states served.

During fiscal 2006, the transportation group purchased 198 new tractors and 89 new trailers and had commitments to purchase an additional 60 tractors and 4 trailers at September 30, 2006. Starting in January 2007, more stringent engine emissions standards mandated by the Environmental Protection Agency will become effective for all newly manufactured trucks. The Company expects that the engines produced under the 2007 standards will be less fuel-efficient and have a higher cost than the current engines. The Company accelerated its normal tractor replacement cycle so that the fiscal 2007 capital expenditure plan only includes the 60 tractors on order at September 30, 2006 to be received before January 1, 2007. The fiscal 2007 plan also includes 20 new trailers. The fleet modernization program has resulted in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. At September 30, 2006, the Company owned and operated a fleet of 680 tractors and 997 trailers.

The transportation segment primarily serves customers in the petroleum and building and construction industries. Petroleum customers accounted for approximately 66% and building and construction customers accounted for approximately 34% of transportation segment revenues for the year ended September 30, 2006.

The Company hauls construction aggregates, diesel fuel and cement for FRI. Revenues from services provided to FRI accounted for 1.6% of the transportation segment's revenues.

Price, service, and location are the major factors which affect competition in the transportation segment within a given market.

During fiscal 2006, the transportation segment's ten largest customers accounted for approximately 47.3% of the transportation segment's revenue. One of these customers accounted for 11.6% of the transportation segment's revenue. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income.

Real Estate. The Company's real estate and property development activities are conducted through wholly owned subsidiaries.

The Company owns real estate in Florida, Georgia, Virginia, Maryland, Delaware and Washington, D.C. The real estate owned falls generally into one of three categories: (i) land and/or buildings leased under rental agreements or being developed for rental; (ii) construction aggregates properties with stone or sand and gravel deposits, substantially all of which are leased to FRI in exchange for either a percentage of the revenues generated by the material mined and sold, or minimum royalties; and, (iii) land that is being held for future appreciation or development.

The Company's real estate strategy of developing high quality, flexible warehouse/office space continues to be successful as average occupancy for the fiscal year for buildings in service for more than 12 months was 91.7%. At September 30, 2006, 93.3% of the total warehouse/office portfolio of approximately 2.4 million square feet was leased.

Price, location, rental space availability, flexibility of design, and property management services are the major factors that affect competition in the flexible warehouse/office rental market. The Company experiences considerable competition in all of its markets.

Real estate revenues in fiscal 2006 were divided approximately 69% from rentals on developed properties and 31% from mining royalties. FRI accounted for approximately 30% of total real estate revenues. Tenants of flexible warehouse/office properties are not concentrated in any one particular industry.

During 2004, a subsidiary of the Company sold several parcels of property to FRI, a related party. The properties were located in Lake City, FL, Springfield, VA, and Miami, FL and the combined sales price was $29,628,000. See Notes 2 and 3 to the consolidated financial statements for more information.

Environmental Matters. While the Company is affected by environmental regulations, such regulations are not expected to have a major effect on the Company's capital expenditures or operating results. Starting in January 2007, more stringent engine emissions standards mandated by the Environmental Protection Agency will become effective for all newly manufactured trucks. The Company expects that the engines produced under the 2007 standards will be less fuel-efficient and have a higher cost than the current engines.

Seasonality. The Company’s business is subject to limited seasonality due to the cyclical nature of business of our customers, with revenues generally declining slightly during winter months.

Employees. The Company employed 955 people in its transportation group, 21 people in its real estate group and 5 people in its corporate offices at September 30, 2006.

Company Website. The Company’s website may be accessed at www.patriottrans.com. All of our filings with the Securities and Exchange Commission can be accessed through our website promptly after filing. This includes annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports filed or furnished on Form 8-K and all related amendments.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office	Position Since
Edward L. Baker	71	Chairman of the Board	May 3, 1989
John E. Anderson	61	President & Chief Executive Officer	Feb. 17, 1989
David H. deVilliers, Jr.	55	Vice President of the Company and President of the Company’s Real Estate Group	Feb. 28, 1994

Ray M. VanLandingham	63	Vice President, Treasurer, Secretary and Chief Financial Officer	Dec. 6, 2000
John D. Klopfenstein	43	Controller and Chief Accounting Officer	Feb. 16, 2005
Terry S. Phipps	42	President of SunBelt Transport, Inc.	April 5, 2004
Robert E. Sandlin	45	President of Florida Rock & Tank Lines, Inc.	March 1, 2003

All of the above officers have been employed in their respective positions for the past five years except as follows: John D. Klopfenstein served as Director, Business Development and Planning of the Company, from June 2003 to February 2005, and as Manager, Corporate Development of the Company, from July 1996 to May 2003; Terry S. Phipps was a Vice President of SunBelt from May 2003 to April 2004, and was employed with Coastal Transport, Inc. from 1990 to May 2003; and Robert E. Sandlin was a Vice President of Florida Rock & Tank Lines from 1993 until March 2003.

John D. Baker II, who is the brother of Edward L. Baker, and Thompson S. Baker II, who is the son of Edward L. Baker, are directors of the Company.

All executive officers of the Company are elected by the Board of Directors annually and serve until their resignation or removal.

Item 1A. RISK FACTORS.

Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and outlook. Also, note that additional risks not currently identified or known to us could also negatively impact our business or financial results.

Because certain shareholders have effective control of nearly a majority of our common stock, investors likely will not be able to affect the outcome of any shareholder vote.

As of December 1, 2006, three of our directors, Edward L. Baker, John D. Baker II and Thompson S. Baker II, beneficially own approximately 45% of the outstanding shares of our common stock. As a result, these individuals effectively may have the ability to direct the election of all members of our Board of Directors and to exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations involving us, our acquisition or disposition of assets, our borrowing of monies, our issuance of any additional securities, our repurchase of common stock and our payment of dividends. Because their interests may differ from other shareholder's interests, actions taken by them with respect to us may not be favorable to all shareholders.

Our charter, bylaws and shareholder rights agreement contain anti-takeover provisions that may hinder a takeover or negatively affect our stock price.

Our articles of incorporation, bylaws and shareholder rights agreement contain several provisions that may make it more difficult and expensive for a third party to acquire control of us without the approval of our board of directors. Our articles of incorporation and bylaws contain provisions dividing our board of directors into four classes of directors serving four-year terms and providing that directors may only be removed for cause. Our articles of incorporation also provide that our shareholders can take action only at a duly called annual or special meeting of shareholders and require a supermajority vote to approve certain matters. In addition, our board of directors is authorized to issue additional shares of common stock or preferred stock and to determine the rights and preferences of any shares of preferred stock to be issued. Our shareholder rights plan is designed to guard against coercive or unfair tactics to gain control of us. The rights will cause substantial dilution to any person or group who attempts to acquire a significant amount of common stock without approval of our board of directors. Because we can redeem the rights, the rights will not interfere with a merger or other business combination approved by our board.

We may be adversely impacted by rising fuels costs and limited availability of fuel.

The market price for fuel, which recently rose to its highest price in over a decade, can be extremely volatile and can be affected by a number of economic and political factors. Rising fuel prices adversely impact us in two ways. Our transportation business requires large amounts of diesel fuel to operate our tractors. Historically, we have been able to recover increases in fuel prices from customers through fuel surcharges, but our earnings will be reduced if we are not able to fully offset fuel price increases with surcharges in the future. In addition, increased fuel prices often reduce the consumer demand for the petroleum products hauled by our tank lines subsidiary, adversely impacting revenues. Continued disruptions in the political climate in key oil producing regions in the world could limit the availability of fuel in the United States, increasing our fuel costs and possibly reducing revenues in our transportation business. Our operations may also be adversely affected by any limit on the availability of fuel.

Our business may be adversely affected by seasonal factors and harsh weather conditions.

Our business is subject to seasonal trends common in the refined petroleum products delivery industry. We typically face increased demand for fuels delivery services in Florida during the spring months. Our real estate group and our flatbed trucking subsidiary are adversely affected by reduced construction activity during periods of inclement weather. These factors can cause our operating results to fluctuate from quarter to quarter. An occurrence of unusually harsh or long-lasting inclement weather such as hurricanes, tornadoes and heavy snowfalls could have an adverse effect on our operations and profitability.

Our revenues depend in part on construction sector activity levels, which tend to be cyclical.
One of our transportation subsidiaries hauls construction materials. Our real estate group receives part of its revenues from royalties on construction aggregates mined on our properties. Thus, our results depend in part on residential, commercial and infrastructure construction activity and spending levels. The construction industry in our markets tends to be cyclical. Construction activity and spending levels vary across our markets and are influenced by interest rates, inflation, consumer spending habits, demographic shifts, environmental laws and regulations, employment levels and the availability of funds for public infrastructure projects. Economic downturns may lead to recessions in the construction industry, either in individual markets or nationally.

We face great difficulty in recruiting and retaining qualified drivers.
In recent years the transportation industry has had great difficulty attracting and retaining qualified drivers (including independent contractors), and competition for drivers is increasingly intense. To compete for drivers, we may be forced to increase driver compensation. We cannot be certain that we could pass along the increased compensation costs to our customers. If we are unable to continue to attract drivers and contract with independent contractors, we could be required to suffer downtime and lost revenue miles.

New tractors are more expensive and less fuel efficient.
New tractors are more expensive, primarily due to higher commodity prices, better pricing power among equipment manufacturers, and government regulations applicable to newly manufactured tractors and diesel engines. Revised EPA regulations decrease the amount of permitted air emissions that can be released by tractor engines and affect tractors produced after the effective date of the regulations. Compliance with these regulations has increased the cost of our new tractors and lowered fuel mileage. This will increase our capital expenses and our operating expenses. These adverse effects combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values that will be realized from the disposition of these vehicles could increase our costs or otherwise adversely affect our business or operations.

We have significant ongoing capital requirements.
Our transportation business requires substantial ongoing capital investment, particularly for tractors, trailers, terminals and

technology. For the past few years, we have depended on cash from operations and our credit facilities to fund our revenue equipment. We expect to continue to pay for projected capital expenditures with cash flows from operations and borrowings under our line of credit. If we are unable to generate sufficient cash from operations and obtain financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a material adverse effect on our profitability.

The loss of one of our major transportation customers could have a materially adverse effect on our business.
A significant portion of our revenue is generated from our major customers. For 2006, our top 10 customers, based on revenue, accounted for approximately 47% of our revenue. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

The trucking industry is extremely competitive and fragmented.
The trucking industry is extremely competitive and fragmented. No single truckload carrier has a significant market share. We compete with many other truckload carriers of varying sizes, customers' private fleets, and, to a lesser extent, with railroads which may limit our growth opportunities and reduce profitability. Some of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain our profit margins. Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved transportation service providers, and in some instances we may not be selected. Historically, competition has created downward pressure on the truckload industry's pricing structure.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.
We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, and engine idling. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain bulk fuel storage and fuel islands at several of our facilities. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances or if we are found to be in violation of applicable laws or regulations, we could be subject to liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on our business and operating results.

Uninsured losses could significantly reduce our earnings.
We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We also are responsible for our legal expenses relating to such claims. We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Also, there are some types of losses such as from hurricanes, terrorism, wars, or earthquakes where insurance is limited and/or not economically justifiable. If an uninsured loss occurs, we could lose both the invested capital and anticipated revenues. We reserve currently for anticipated losses and expenses. We periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts.

Rising insurance costs could significantly reduce our earnings.
Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If we are unable to pass along this cost increase to customers, our earnings may be significantly reduced.

Compliance with new or future transportation regulations may significantly reduce earnings.
Our transportation operations are regulated and licensed by various U.S. agencies. While the costs of compliance with existing regulations generally is reflected in our prior results, new regulations (such as the new tractor air emissions regulations) and future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us could adversely affect our results of operations.

We may be unable to renew leases or relet space as leases expire.
When a lease expires, a tenant may elect not to renew it. We may not be able to relet the property on similar terms. The terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable than the prior lease. If we are unable to relet all or a substantial portion of our properties, or if the rental rates upon such reletting are significantly lower than expected rates, our cash generated before debt repayments and capital expenditures may be adversely affected. As of September 30, 2006, leases at our properties representing approximately 16% and 13% of the total square footage of our current portfolio were scheduled to expire in fiscal 2007 and fiscal 2008, respectively.

The bankruptcy or insolvency of significant tenants with long-term leases may adversely affect income produced by our properties.

We have six buildings in our business parks that are single-tenant occupied representing 34% of Developed property rentals under long-term leases. We have three other tenants with leases in excess of five years. Should tenants default on their obligations, our cash flow would be adversely affected and we may not be able to find another tenant to occupy the space under similar terms or have to make expenditures to retrofit and/or divide the space. In addition we may have to expense a significant amount of deferred rent revenue generated from straight-lining revenues. The bankruptcy or insolvency of a major tenant may also adversely affect the income produced by a property. If any of our tenants becomes a debtor in a case under the U.S. Bankruptcy Code, we cannot evict that tenant solely because of its bankruptcy. The bankruptcy court may authorize the tenant to reject and terminate its lease with us. Our claim against such a tenant for unpaid future rent would be subject to a statutory limitation that might be substantially less than the remaining rent actually owed to us under the tenant’s lease. Any shortfall in rent payments could adversely affect our cash flow.

Poor Economic Conditions in Baltimore Could Adversely Affect Our Business.

All of our office/warehouse properties are located in the Baltimore and Washington, D.C. areas. As a result of our geographic concentration, we depend upon the local conditions in these markets, including local real estate conditions. We are, therefore, subject to increased exposure (positive or negative) to economic and other competitive factors specific to markets in confined geographic areas. Our operations may also be affected if too many competing properties are built in these markets. An economic downturn in these markets could adversely affect our operation. We cannot assure you that these markets will continue to grow or will continue to provide favorable demand for our office/warehouse product.

Our inability to obtain necessary approvals for property development could adversely affect our profitability.

We may be unable to obtain, or incur delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased costs or abandonment of these projects. Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, subdivision, site planning and environmental issues. Legislation could impose moratoriums on new real estate development and/or land-use conversions from mining to development. These factors may reduce our profit or growth.

Real estate investments are not as liquid as other types of assets.

The illiquid nature of real estate investments may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Thus, the illiquid nature of our real estate investments could adversely affect our profitability under certain economic conditions.

Our Debt Service Obligation May Have Adverse Consequences on Our Business Operations.

We use debt to finance our operations, including acquisitions of properties. Our use of debt may have adverse consequences, including the following:

- Our cash flow from operations may not be sufficient to meet required payments of principal and interest.
- We may be forced to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt.
- We may default on our debt obligations, and the lenders or mortgages may foreclose on our properties that secure those loans.
- A foreclosure on one of our properties could create taxable income without any accompanying cash proceeds to pay the tax.
- A default under a mortgage loan that has cross default provisions may cause us to automatically default on another loan.
- We may not be able to refinance or extend our existing debt.
- The terms of any refinancing or extension may not be as favorable as the terms of our existing debt.
- We may be subject to a significant increase in the variable interest rates on our unsecured line of credit or unsecured term loan, which could adversely impact our operations.

As of September 30, 2006, we had outstanding mortgage indebtedness of $50,672,000, secured by developed real estate properties having a carrying value of $56,933,000, and outstanding debt under our unsecured revolver of $12,452,000.

Our Unsecured Revolving Credit Agreement Restricts Our Ability to Engage in Some Business Activities.

Our unsecured revolving credit agreement contains customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to make certain investments;

- restrict our ability to merge with another company;
- restrict our ability to pay dividends;
- require us to maintain financial coverage ratios; and
- require us to maintain a pool of unencumbered assets approved by the lenders.

These restrictions could cause us to default on our unsecured line of credit or negatively affect our operations.

Our real estate segment faces competition from numerous sources. The ownership of flexible warehouse/office space is highly fragmented. We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and ability to satisfy our debt service obligations could be materially adversely affected.

Construction costs may be more costly than anticipated. Our business plan includes a number of construction projects. The construction costs of these projects may exceed original estimates and possibly make the completion of a property uneconomical. Building material commodity shortages, construction delays/stoppages and/or rapidly escalating construction costs may out-pace market rents, adversely affecting profits. The market environment and existing lease commitments may not allow us to raise rents to cover these higher costs.

Item 2. PROPERTIES.

The Company's principal properties are located in Florida, Georgia, Virginia, Washington, D.C., Delaware and Maryland.

Real Estate Segment Properties. Principal properties held by the Real Estate segment are discussed below under the captions Developed Properties, Future Planned Development, Construction Aggregates Properties, and Other Properties.

At September 30, 2006 certain developed real estate properties having a carrying value of $56,933,000 were pledged on long-term non-recourse notes with an outstanding principal balance totaling $50,672,000. In addition, certain other properties having a carrying value at September 30, 2006 of $103,000 were encumbered by $1,300,000 of industrial revenue bonds that are the liability of FRI. FRI has agreed to pay such debt when due (or sooner if FRI cancels its lease of such property), and further has agreed to indemnify and hold harmless the Company on account of such debt.

Developed Properties. At September 30, 2006, the Company owned 10 developed parcels of land containing 219 usable acres in the Mid-Atlantic region of the United States as follows:

1) Hillside Business Park in Anne Arundel County, Maryland consists of 49 usable acres near the Baltimore-Washington International Airport. Infrastructure work on the site is substantially completed and four buildings with a total of 504,740 square feet are completed. Of the four existing buildings, three are 100% leased/occupied and the fourth, completed in September 2006 is 55% leased. Upon occupancy of the 55% tenant in November 2006, this park will be 92% occupied. The Company plans to develop the final building with a minimum of 40,000 square feet.

2) Lakeside Business Park in Harford County, Maryland consists of 83 usable acres. Seven warehouse/office buildings, totaling 671,241 square feet, have been constructed and are 100% leased. A 73,200 square foot building is under construction with completion scheduled for the summer of 2007. The remaining 26 acres are available for future development and have the potential to offer an additional 343,000 square feet of comparable product.

3) 6920 Tudsbury Road in Baltimore County, Maryland contains 5.3 acres with 86,100 square feet of warehouse/office space that is 100% leased.

4) 8620 Dorsey Run Road in Howard County, Maryland contains 5.8 acres with 85,100 square feet of warehouse/office space that is 100% leased.

5) Rossville Business Center in Baltimore County, Maryland contains approximately 10 acres with 190,517 square feet of warehouse/office space and is 100% leased.

6) 34 Loveton Circle in suburban Baltimore County, Maryland contains 8.5 acres with 29,921 square feet of office space, which is 100% leased. The Company occupies 23% of the space and 23% is leased to FRI.

7) Oregon Business Center in Anne Arundel County, Maryland contains approximately 17 acres with 195,615 square feet of warehouse/office space, which is 85% leased.

8) Arundel Business Center in Howard County, Maryland contains approximately 11 acres with 162,796 square feet of warehouse/office space, which is 86% leased.

9) 100-400 Interchange Boulevard in New Castle County, Delaware contains approximately 17 acres with 303,006 square feet of warehouse/office space, which is 92% leased. The remaining 8.8 acres are available for future development and have the potential to offer an additional 88,000 square feet of comparable product.

10) 1187 Azalea Garden Road in Norfolk, Virginia contains approximately 12 acres with 188,093 square feet of

warehouse/office space, which is 100% leased.

Future Planned Developments. At September 30, 2006 the Company owned the following future development parcels:

1) Windlass Run Business Park, formerly referred as Bird River, located in southeastern Baltimore County, Maryland, is a 179-acre tract of land that will have direct access to Maryland State Road 43 which was completed in October 2006 and will connect I-95 with Martin State Airport. This property is currently zoned for residential and commercial use with 104 developable acres. The Company plans to develop and lease approximately 515,000 square feet of multiple warehouse/office buildings on the 42 developable acres zoned for commercial use. Land development efforts will commence in the spring of 2007. Meanwhile plans are being pursued to obtain residential zoning upgrade and eventual maximization of the remaining 62 acres.

2) Patriot Business Park, located in Prince William County, Virginia, is a 101-acre tract of land which is immediately adjacent to the Prince William Parkway providing access to I-66. The Company plans to develop and lease approximately 1,000,000 square feet of multiple warehouse/office buildings on the property. Land development efforts are expected to commence in the spring of 2008.

3) Brooksville Quarry, LLC. On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Florida Rock Industries, Inc. (FRI) to develop approximately 4,400 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in approximately 3,500 acres that it leased to FRI under a long-term mining lease. FRI will continue to mine the property and pay royalties to FRP for as long as mining does not interfere with the development of the property.

The joint venture will be jointly controlled by FRI and FRP. Each party has a mandatory obligation to fund additional capital contributions of up to $2 million. Distributions will be made on a 50-50 basis.

The property does not yet have the necessary entitlements for real estate development. Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and the outcome is inherently uncertain. The Company currently expects that the entitlement process may take several years to complete.

4) Anacostia River. The Company owns a 5.8 acre parcel of undeveloped real estate in Washington D.C. that fronts the Anacostia River and is adjacent to the construction site for the new Washington Nationals Baseball Stadium which is scheduled for completion in 2008. The Company also owns a nearby 2.1 acre tract on the same bank of the Anacostia River. Currently, these properties are leased to Florida Rock

Industries, Inc., on a month-to-month basis.

The Company has been pursuing development efforts with respect to the 5.8-acre parcel for several years. The Company previously obtained a Planned Unit Development (PUD) Zoning approval for development of the property and has been working to obtain approval of a modified PUD that would allow up to 625,000 square feet of commercial development and up to 440,000 square feet of residential development. Consideration of a proposed action by the Zoning Commission is anticipated at their scheduled public meeting on January 8, 2007. The Company remains optimistic that its zoning application will be approved while at the same time recognizing that there is inherent uncertainty in any zoning approval process.

5) Commonwealth Avenue in Jacksonville, Florida is a 50-acre, rail accessible site near the western beltway of Interstate-295 capable of supporting approximately 500,000 square feet of eventual warehouse/office build-out.

Construction Aggregates Properties. The following table summarizes the Company's principal construction aggregates locations and estimated reserves at September 30, 2006, substantially all of which are leased to FRI.

	Tons Sold in Year Ended 9/30/06 (000's)	Tons of Estimated Reserves at 9/30/06 (000's)	Approximate Acres Owned
The Company owns ten locations currently being mined in Grandin, Gulf Hammock, Keuka, Newberry and Airgrove/ Lake County, Florida; Columbus, Macon, Forest Park and Tyrone, Georgia; and Manassas, Virginia.	11,054(1)	428,129	12,994
The Company owns three locations not currently being mined in Ft. Myers, Marion County, Astatula/Lake County	-	32,891	2,881

(1) Tons sold in year ended 9/30/06 include Brooksville tons of 284,000. Tons of estimated reserves and acres owned do not include Brooksville as the property was transferred October 4, 2006 to a joint venture with FRI for development.

Other Properties. In addition to the development, mining and rental sites, the Company owns approximately 2,201 acres of investment and other real estate. This includes a 1,844-acre timberland site located in Caroline County, Virginia.

The Company owns an office building with approximately 69,000 square feet situated on approximately 6 acres in Jacksonville, Florida, which is leased to FRI.

Transportation Segment Properties. The Company has 21 sites for its trucking terminals in Alabama, Florida, Georgia, North Carolina, and Tennessee. The Company owns 13 of these sites and leases 8.

Item 3. LEGAL PROCEEDINGS.

Note 14 to the Consolidated Financial Statements included in the accompanying 2006 Annual Report to Shareholders is incorporated herein by reference.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No reportable events.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

There were approximately 634 holders of record of Patriot Transportation Holding, Inc. common stock, $.10 par value, as of September 30, 2006. The Company's common stock is traded on the Nasdaq Stock Market (Symbol PATR). Information concerning stock prices is included under the caption "Quarterly Results" on page 6 of the Company's 2006 Annual Report to Shareholders, and such information is incorporated herein by reference. The Company has not paid a cash dividend in the past and it is the present policy of the Board of Directors not to pay cash dividends. Information concerning restrictions on the payment of cash dividends is included in Note 4 to the consolidated financial statements included in the accompanying 2006 Annual Report to Shareholders and such information is incorporated herein by reference. Information regarding securities authorized for issuance under equity compensation plans is included in Item 12 of Part III of this Annual Report on Form 10-K and such information is incorporated herein by reference.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 through July 31	0	$ 0	0	$ 3,490,000
August 1 through August 31	0	$ 0	0	$ 3,490,000
September 1 through September 30	0	$ 0	0	$ 3,490,000
Total	0	$ 0	0	

(1) In December, 2003, the Board of Directors authorized management to expend up to $6,000,000 to repurchase shares of the Company’s common stock from time to time as opportunities arise.

Item 6. SELECTED FINANCIAL DATA.

Information required in response to this Item 6 is included under the caption "Five Year Summary" on page 6 of the Company's 2006 Annual Report to Shareholders and such information is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Information required in response to Item 7 is included under the caption "Management Analysis" on pages 7 through 11 of the Company's 2006 Annual Report to Shareholders and such information is incorporated herein by reference.

Item 7.A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to market risk from changes in interest rates. For its cash and cash equivalents, a change in interest rates affects the amount of interest income that can be earned. For its debt instruments with variable interest rates, changes in interest rates affect the amount of interest expense incurred. The Company prepared a sensitivity analysis of its variable rate borrowings to determine the impact of hypothetical changes in interest rates on the Company's results of operations and cash flows. The interest-rate analysis assumed a 50 basis point adverse change in interest rates on all borrowings under the credit agreement. However, the interest-rate analysis did not consider the effects of the reduced level of economic activity that could exist in such an environment. Based on this analysis, management has concluded that a 50 basis point adverse move in interest rates on the Company's outstanding borrowings under the credit agreement would have an immaterial impact on the Company's results of operations and cash flows.

The following table provides information about the Company's long-term debt (dollars in thousands):

Liabilities:	2007	2008	2009	2010	2011	There after	Total	Fair Value
Scheduled maturities of long-term debt:								
Fixed Rate	$ 2,576	$2,761	$2,959	$3,172	$3,400	$35,804	$50,672	$51,895
Average interest rate	6.8%	6.9%	6.9%	6.9%	6.9%	6.9%		
Variable Rate	$12,452							
Average Interest rate	6.3%							

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information required in response to this Item 8 is included under the caption "Quarterly Results" on page 6 and on pages 12 through 22 of the Company's 2006 Annual Report to Shareholders. Such information is incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On June 21, 2006, the Audit Committee of the Board of Directors of Patriot Transportation Holding, Inc. (the “Company”), dismissed PricewaterhouseCoopers LLP (“PWC”) as the Company’s independent registered certified public accounting firm, effective immediately. The Audit Committee also engaged Hancock Askew & Co. (“Hancock Askew”) to serve as the Company’s principal public accountants effective immediately.

PWC’s reports on the consolidated financial statements of the Company as of and for the fiscal years ended September 30, 2005 and 2004 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principle.

During the fiscal years ended September 30, 2005 and 2004 and through June 21, 2006 there were no disagreements with PWC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to PWC’s satisfaction, would have caused them to make reference thereto in their reports on the financial statements for such years; and there were no reportable events as described in Item 304(a)(1)(v) of Regulation S-K.

During the fiscal years ended September 30, 2005 and 2004 and through June 21, 2006, the Company did not consult Hancock Askew with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

Item 9A. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Chief Accounting Officer (“CAO”), as appropriate, to allow timely decisions regarding required disclosure.

The Company also maintains a system of internal accounting controls over financial reporting that are designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving the desired control objectives.

As of September 30, 2006, the Company, under the supervision and with the participation of the Company's management, including the CEO, CFO and CAO, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company’s CEO, CFO and CAO concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be included in periodic SEC filings.

There have been no changes in the Company’s internal controls over financial reporting during the fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s report on internal control over financial reporting is included on page 23 of the Company’s 2006 Annual Report to Shareholders. Such information is incorporated herein by reference.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding the Company’s executive officers is set forth under the caption "Executive Officers of the Registrant" in Part I of this Form 10-K. Information concerning directors (including the disclosure regarding audit committee financial experts), required in response to this Item 10, is included under the captions "Election of Directors", "Board Structure and Committee Membership – Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2006.

The Company has adopted a Financial Code of Ethical Conduct applicable to its principal executive officers, principal financial officers and principal accounting officers. A copy of this Financial Code of Ethical Conduct is filed as Exhibit 14 to this Form 10-K. The Financial Code of Ethical Conduct is available on our web site at www.patriottrans.com under the heading *Investor Relations – Corporate Governance*.

Item 11. EXECUTIVE COMPENSATION.

Information required in response to this Item 11 is included under the captions "Executive Compensation," "Compensation Committee Report," "Board Structure and Committee Membership – Compensation Committee," and "Shareholder Return Performance" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2006.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required in response to this Item 12 is included under the captions "Common Stock Ownership of Certain Beneficial Owners" and "Common Stock Ownership by Directors and Executive Officers" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2006.

Equity Compensation Plan Information

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	304,746	$31.03	279,900
Equity compensation plans not approved by security holders	0	0	0
Total	304,746	$31.03	279,900

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required in response to this Item 13 is included under the caption “Related Party Transactions" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2006.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information required in response to this Item 14 is included under the captions “Independent Auditor” and “Ratification of Independent Registered Certified Public Accounting Firm” in the Company’s Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2006.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) (1) and (2) Financial Statements and Financial Statement Schedules.

The response to this item is submitted as a separate section. See Index to Financial Statements and Financial Statement Schedules on page 29 of this Form 10-K.

(3) Exhibits.

The response to this item is submitted as a separate section. See Exhibit Index on pages 26 through 28 of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Patriot Transportation Holding, Inc.

Date: December 7, 2006

By JOHN E. ANDERSON
John E. Anderson
President and Chief Executive Officer (Principal Executive Officer)

By RAY M. VAN LANDINGHAM
Ray M. Van Landingham
Vice President, Treasurer, Secretary and Chief Financial Officer (Principal Financial Officer)

By JOHN D. KLOPFENSTEIN
John D. Klopfenstein
Controller and Chief Accounting Officer(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on December 7, 2006.

JOHN E. ANDERSON
John E. Anderson
Director, President, and Chief Executive Officer
(Principal Executive Officer)

RAY M. VAN LANDINGHAM
Ray M. Van Landingham
Vice President, Treasurer, Secretary and Chief Financial Officer(Principal Financial Officer)

JOHN D. KLOPFENSTEIN
John D. Klopfenstein
Controller and Chief Accounting Officer (Principal Accounting Officer)

EDWARD L. BAKER
Edward L. Baker
Chairman of the Board

JOHN D. BAKER II
John D. Baker II
Director

THOMPSON S. BAKER II
Thompson S. Baker II
Director

LUKE E. FICHTHORN III
Luke E. Fichthorn III
Director

CHARLES E. COMMANDER III
Charles E. Commander III
Director

ROBERT H. PAUL III
Robert H. Paul III
Director

H. W. SHAD III
H. W. Shad III
Director

Martin E. Stein, Jr.
Director

JAMES H. WINSTON
James H. Winston
Director

PATRIOT TRANSPORTATION HOLDING, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006
EXHIBIT INDEX
[Item 14(a)(3)]

(3)(a)(1)	Articles of Incorporation of Patriot Transportation Holding, Inc., incorporated by reference to the corresponding exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.
(3)(a)(2)	Amendment to the Articles of Incorporation of Patriot Transportation Holding, Inc. filed with the Secretary of State of Florida on February 19, 1991 incorporated by reference to the corresponding exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. File No. 33-26115.
(3)(a)(3)	Amendments to the Articles of Incorporation of Patriot Transportation Holding, Inc. filed with the Secretary of State of Florida on February 7, 1995, incorporated by reference to an appendix to the Company's Proxy Statement dated December 15, 1994. File No. 33-26115.
(3)(a)(4)	Amendment to the Articles of Incorporation of Patriot Transportation Holding, Inc., filed with the Florida Secretary of State on May 6, 1999 incorporated by reference to a form of such amendment filed as Exhibit 4 to the Company's Form 8-K dated May 5, 1999. File No. 33-26115.
(3)(a)(5)	Amendment to the Articles of Incorporation of Patriot Transportation Holding, Inc. filed with the Secretary of State of Florida on February 21, 2000, incorporated by reference to the corresponding exhibit filed with Form 10-Q for the quarter ended March 31, 2000. File No. 33-26115.
(3)(b)(1)	Amended and Restated Bylaws of Patriot Transportation Holding, Inc. adopted August 3, 2005, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated August 3, 2005. File No. 33-26115.
(4)(a)	Articles III, VII and XII of the Articles of Incorporation of Patriot Transportation Holding, Inc, incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. And amended Article III, incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. And Articles XIII and XIV, incorporated by reference to an appendix filed with the Company's Proxy Statement dated December 15, 1994. File No. 33-26115.
(4)(b)	Specimen stock certificate of Patriot Transportation Holding, Inc, incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.
(4)(c)	Rights Agreement, dated as May 5, 1999 between the Company and First Union National Bank, incorporated by reference to Exhibit 4 to the Company's Form 8-K dated May 5, 1999. File No. 33-26115.
(10)(a)	Various lease backs and mining royalty agreements with Florida Rock Industries, Inc., none of which are presently believed to be material individually, except for the Mining Lease Agreement dated September 1, 1986, between Florida Rock Industries Inc. and Florida Rock Properties, Inc.,

successor by merger to Grandin Land, Inc. (see Exhibit (10)(c)), but all of which may be material in the aggregate, incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.

(10)(b) License Agreement, dated June 30, 1986, from Florida Rock Industries, Inc. to Florida Rock & Tank Lines, Inc. to use "Florida Rock" in corporate names, incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.

(10)(c) Mining Lease Agreement, dated September 1, 1986, between Florida Rock Industries, Inc. and Florida Rock Properties, Inc., successor by merger to Grandin Land, Inc., incorporated by reference to an exhibit previously filed with Form S-4 dated December 13, 1988. File No. 33-26115.

(10)(d) Summary of Medical Reimbursement Plan of Patriot Transportation Holding, Inc., incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. File No. 33-26115.

(10)(e) Summary of Management Incentive Compensation Plans, incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1994. File No. 33-26115.

(10)(f) Management Security Agreements between the Company and certain officers, incorporated by reference to a form of agreement previously filed (as Exhibit (10)(I)) with Form S-4 dated December 13, 1988. File No. 33-26115.

(10)(g)(1) Patriot Transportation Holding, Inc. 1995 Stock Option Plan, incorporated by reference to an appendix to the Company's Proxy Statement dated December 15, 1994. File No. 33-26115.

(10)(g)(2) Patriot Transportation Holding, Inc. 2000 Stock Option Plan, incorporated by reference to an appendix to the Company's Proxy Statement dated December 15, 1999. File No. 33-26115.

(10)(g)(3) Patriot Transportation Holding, Inc. 2006 Stock Incentive Plan, incorporated by reference to an appendix to the Company's Proxy Statement dated December 29, 2005. File No. 33-26115.

(10)(h) Amended and Restated Revolving Credit Agreement dated November 10, 2004 among Patriot Transportation Holding, Inc. as Borrower, the Lenders from time to time party hereto and Wachovia Bank, National Association as Administrative Agent, incorporated by reference to the Company's Form 8-K dated November 16, 2004. File No. 33-26115.

(10)(i) The Company and its consolidated subsidiaries have other long-term debt agreements, none of which exceed 10% of the total consolidated assets of the Company and its subsidiaries, and the Company agrees to furnish copies of such agreements and constituent documents to the Commission upon request.

(10)(j) Letter of Credit Facility between Patriot Transportation Holding, Inc. and SunTrust Bank, N.A. dated February 16, 2005, incorporated by reference to the Company's Form 8-K dated February 16, 2005. File No. 33-26115.

(10)(k) Joint Venture Agreement between Florida Rock Industries, Inc. and Florida Rock Properties, filed herewith.

(13)	The Company's 2006 Annual Report to shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2006 Annual Report to Shareholders which are not incorporated by reference shall not be deemed to be filed as part of this Form 10-K.
(14)	Financial Code of Ethical Conduct between the Company, Chief Executive Officers and Financial Managers, adopted December 4, 2002, incorporated by reference to an exhibit filed with Form 10-K for the year ended September 30, 2003. File No. 33-26115.
(21)	Subsidiaries of Registrant at September 30, 2006: Florida Rock & Tank Lines, Inc. (a Florida corporation); Florida Rock Properties, Inc. (a Florida corporation); FRP Development Corp. (a Maryland corporation); FRP Maryland, Inc. (a Maryland corporation); 34 Loveton Center LLC (a Maryland limited liability company); FRTL, Inc. (a Florida corporation); SunBelt Transport, Inc. (a Florida Corporation); Oz LLC(a Maryland limited liability company); 1502 Quarry, LLC(a Maryland limited liability company); FRP Lakeside LLC #1 (a Maryland limited company); FRP Lakeside LLC #2 (a Maryland limited liability company); FRP Lakeside LLC #3 (a Maryland limited liability company); FRP Lakeside LLC #4 (a Maryland limited liability company); FRP Lakeside LLC #5 (a Maryland limited liability company); FRP Hillside LLC (a Maryland limited liability company); FRP Hillside LLC #2 (a Maryland limited liability company); FRP Hillside LLC #3 (a Maryland limited liability company); FRP Windsor LLC (a Maryland limited liability company); FRP Dorsey LLC (a Maryland limited liability company); FRP Bird River LLC (a Maryland limited liability company); FRP Interchange LLC (a Maryland limited liability company); FRP Azalea LLC (a Maryland limited liability company); FRP Manassas LLC (a Maryland limited liability company).
(23)(a)	Consent of Hancock Askew & Co., Inc., Independent Registered Certified Public Accounting Firm, appears on page 30 of this Form 10-K.
(23)(b)	Consent of PricewaterhouseCoopers LLP, Independent Registered Certified Public Accounting Firm, appears on page 30 of this Form 10-K.
(31)(a)	Certification of John E. Anderson.
(31)(b)	Certification of Ray M. Van Landingham.
(31)(c)	Certification of John D. Klopfenstein.
(32)	Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

PATRIOT TRANSPORTATION HOLDING, INC.
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES
(Item 15(a) (1) and 2))

(a) Refers to the page number in the Company's 2006 Annual Report to Shareholders. Such information is incorporated by reference in Item 8 of this Form 10-K.

(b) Refers to the page number in this Form 10-K.

All other schedules have been omitted, as they are not required under the related instructions, are inapplicable, or because the information required is included in the consolidated financial statements.

Exhibit 23

CONSENTS OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRMS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-18878, 333-55132, 333-125099 and 333-131475) of Patriot Transportation Holding, Inc. of our report dated December 1, 2006 relating to the consolidated financial statements and the effectiveness of Patriot Transportation Holding, Inc's internal controls over financial reporting as of and for the year ended September 30, 2006, which appears in the Annual Report to Shareholders, which is incorporated by reference. We also consent to the incorporation by reference of our report dated December 1, 2006, relating to the financial statement schedules, which appear in this Form 10-K.

Our report dated December 1, 2006 on the consolidated financial statements includes an explanatory paragraph stating that, as discussed in Note 8 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-based Payment, effective October 1, 2005 for accounting for share-based payments.

Hancock Askew & Co., LLP

Savannah, Georgia
December 7, 2006

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-18878, 333-55132, 333-125099 and 333-131475) of Patriot Transportation Holding, Inc. of our report dated December 22, 2005 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated December 22, 2005, relating to the financial statement schedules, which appear in this Form 10-K.

PricewaterhouseCoopers LLP

Jacksonville, Florida
December 11, 2006

REPORTS OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of
Patriot Transportation Holding, Inc.:

Our audit of the consolidated financial statements referred to in our report dated December 1, 2006 appearing in the 2006 Annual Report to Shareholders of Patriot Transportation Holding, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. These financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statement schedules based on our audit. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Hancock Askew & Co., LLP

Savannah, Georgia
December 1, 2006

To the Board of Directors of
Patriot Transportation Holding, Inc.:

Our audits of the consolidated financial statements referred to in our report dated December 22, 2005 appearing in the 2005 Annual Report to Shareholders of Patriot Transportation Holding, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Jacksonville, Florida
December 22, 2005

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE II (CONSOLIDATED) - VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004

	BALANCE AT BEGIN. OF YEAR	ADDITIONS CHARGED TO COST AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF YEAR
Year Ended September 30, 2006:					
Allowance for doubtful accounts	$ 525,255	$ (39,910)	$ -	$ 126,118(a)	$ 359,227
Accrued risk insurance	$7,576,789	$ 2,381,943	$ -	$ 1,750,162(b)	$8,208,570
Accrued health insurance	1,196,162	3,100,234	-	3,103,457(b)	1,192,939
Totals - insurance	$8,772,951	$ 5,482,177	$ 0	$ 4,853,619	$9,401,509
Year Ended September 30, 2005:					
Allowance for doubtful accounts	$ 638,320	$ 177,000	$ -	$ 290,065(a)	$ 525,255
Accrued risk insurance	$6,653,657	$ 3,710,925	$ -	$ 2,787,793(b)	$7,576,789
Accrued health insurance	1,205,334	2,938,379	-	2,947,551(b)	1,196,162
Totals - insurance	$7,858,991	$ 6,649,304	$ 0	$ 5,735,344	$8,772,951
Year Ended September 30, 2004:					
Allowance for doubtful accounts	$ 565,744	$ 168,000	$ -	$ 95,423(a)	$ 638,320
Accrued risk insurance	$6,779,345	$ 3,562,400	$ -	$ 3,688,088(b)	$6,653,657
Accrued health insurance	1,256,845	3,075,521	-	3,127,032(b)	1,205,334
Totals - insurance	$8,036,190	$ 6,637,921	$ 0	$ 6,815,120	$7,858,991

(a) Accounts written off less recoveries
(b) Payments

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE III (CONSOLIDATED)-REAL ESTATE & ACCUMULATED DEPRECIATION AND DEPLETION (dollars in thousands)
SEPTEMBER 30, 2006

County	Encumb-rances	Initial cost to Company	Cost capitalized subsequent to acquisition	Gross amount at which carried at end of period (a)	Accumulated Depreciation	Year Of Construction	Date Acquired	Depreciation Life Computed on:
Construction Aggregates								
Alachua, FL		$ 1,442	$ 0	$ 1,442	$ 102	n/a	4/86	unit
Clayton, GA		369	0	369	5	n/a	4/86	unit
Fayette, GA		685	0	685	57	n/a	4/86	unit
Hernando, FL (b)		3,115	410	3,525	976	n/a	4/86	unit
Lake, FL		1,485	0	1,485	1,099	n/a	4/86	unit
Lee, FL		4,690	6	4,696	6	n/a	4/86	unit
Levy, FL		1,281	104	1,385	515	n/a	4/86	unit
Marion, FL		1,180	0	1,180	600	n/a	4/86	unit
Monroe, GA		792	0	792	256	n/a	4/86	unit
Muscogee, GA		369	0	369	175	n/a	4/86	unit
Polk, FL		121	0	121	75	n/a	4/86	unit
Prince Wil. VA		298	0	298	298	n/a	4/86	unit
Putnam, FL		15,002	49	15,051	3,686	n/a	4/86	unit
	0	30,829	569	31,398	7,850			
Other Rental Property								
Wash D.C.		2,957	7,731	10,688	1,935	n/a	4/86	15 yr.
Wash D.C.		3,811	0	3,811	0	n/a	10/97	
Putnam, FL		326	50	376	347	n/a	4/86	5 yr.
Spalding, GA		20	0	20	0	n/a	4/86	
	0	7,114	7,781	14,895	2,282			
Commercial Property								
Baltimore, MD	0	439	3,710	4,149	1,763	1990	10/89	31.5 yr.
Baltimore, MD	1,766	950	6,359	7,309	2,749	1994	12/91	31.5 yr.
Baltimore, MD	2,300	690	2,837	3,527	655	2000	7/99	31.5 yr.
Baltimore, MD	0	5,634	3,132	8,766	0	2003	12/02	31.5 yr.
Duval, FL	0	2,416	529	2,945	2,577	n/a	4/86	25 yr.
Harford, MD	2,374	31	3,826	3,857	1,067	1998	8/95	31.5 yr.
Harford, MD	4,055	50	5,552	5,602	1,166	1999	8/95	31.5 yr.
Harford, MD	5,660	85	6,665	6,750	1,507	2001	8/95	31.5 yr.
Harford, MD	0	92	1,506	1,598	0	n/a	8/95	31.5 yr.
Harford, MD	4,158	88	7,199	7,287	1,115	n/a	8/95	31.5 yr.
Harford, MD	3,222	155	5,013	5,168	1,017	2001	8/95	31.5 yr.
Howard, MD	3,568	2,859	3,865	6,724	2,448	1996	9/88	31.5 yr.
Howard, MD	2,078	2,473	920	3,393	606	2000	3/00	31.5 yr.
Anne Arun, MD	2,741	715	6,710	7,425	3,822	1989	9/88	31.5 yr.
Anne Arun, MD	7,325	950	13,055	14,005	1,322	n/a	5/98	31.5 yr.
Anne Arun, MD	11,425	1,525	10,762	12,287	397	2001	8/04	31.5 yr.
Anne Arun, MD	0	1,307	4,830	6,137	14	2006	1/03	31.5 yr.
Norfolk, VA	0	7,512	0	7,512	445	1971	10/04	31.5 yr.
Prince Wil. VA	0	10,200	32	10,232	0	n/a	12/05	31.5 yr.
Newcastle Co. DE	0	11,559	1,006	12,565	832	n/a	4/04	31.5 yr.
	50,672	49,730	87,508	137,238	23,502			
Investment Property		1,092	112	1,204	37	n/a	4/86	n/a
GRAND TOTALS	$50,672	$88,765	$95,970	$184,735	$33,671			

(a) The aggregate cost for Federal income tax purposes is $167,825.
(b) This property was contributed on October 4, 2006 to the Brooksville Quarry, LLC, a 50% owned joint venture.

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE III (CONSOLIDATED) - REAL ESTATE AND
ACCUMULATED DEPRECIATION AND DEPLETION
YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004
(In thousands)

	2006	2005	2004
Gross Carrying Cost of Real Estate:			
Balance at beginning of period	$164,233	146,995	145,803
Additions during period:			
Amounts capitalized	20,502	17,330	17,510
Deductions during period:			
Cost of real estate sold	-	92	16,318
Other (abandonments)	-	-	-
Balance at close of period	$184,735	164,233	146,995
Accumulated Depreciation & Depletion:			
Balance at beginning of period	$ 29,816	26,328	33,497
Additions during period:			
Charged to cost & expense	3,855	3,580	3,229
Deductions during period:			
Real estate sold	-	92	10,398
Balance at close of period	$33,671	29,816	26,328

CONSOLIDATED FINANCIAL HIGHLIGHTS
Years ended September 30
(Dollars in thousands except per share amounts)

	2006	2005	% Change
Revenues	$147,374	131,036	12.5
Gross profit	$ 29,152	24,993	16.6
Operating profit	$ 17,055	15,191	12.3
Income before income taxes	$ 13,249	11,945	10.9
Net income	$ 8,078	7,609	6.2
Per common share:			
Basic	$ 2.71	2.58	5.0
Diluted	$ 2.62	2.50	4.8
Total Assets	$219,215	193,715	13.2
Total Debt	$ 63,124	50,900	24.0
Shareholders' Equity	$118,052	107,901	9.4
Common Shares Outstanding	3,012	2,965	1.6
Book Value Per Common Share	$ 39.20	36.39	7.7

BUSINESS. The Company is engaged in the transportation and real estate businesses. The Company's transportation business is conducted through two wholly owned subsidiaries. Florida Rock & Tank Lines, Inc. (Tank Lines) is a Southeastern U.S. based transportation company concentrating in the hauling of primarily petroleum products but also other liquid and dry bulk commodities by tank trucks. SunBelt Transport, Inc. (SunBelt) serves the flatbed portion of the trucking industry in the Southeastern U.S., hauling primarily construction materials. The Company's real estate group, comprised of FRP Development Corp. and Florida Rock Properties, Inc., acquires, constructs, leases, operates and manages land and buildings to generate both current cash flows and long-term capital appreciation. The real estate group also owns real estate which is leased under mining royalty agreements or held for investment.

OBJECTIVES. The Company's dual objectives are to continue building a substantial transportation company and a real estate company providing sound long-term growth, cash generation and asset appreciation.

TRANSPORTATION

Internal growth is accomplished by a dedicated and competent work force emphasizing superior service to customers in existing markets, developing new transportation services for customers in current market areas and expanding into new market areas.

External growth is designed to broaden the Company's geographic market area and delivery services by acquiring related businesses.

REAL ESTATE

The growth plan is based on the acquisition, development and management of commercial warehouse/office rental properties located in appropriate sub-markets in order to provide long-term positive cash flows and capital appreciation.

TO OUR SHAREHOLDERS

Fiscal 2006 represented another positive chapter of Patriot progress. Good results were achieved in both transportation and real estate, though tempered somewhat at the beginning of the fourth quarter from a plunging residential construction market.

Consolidated revenues increased 12.5% over last fiscal year to $147,374,000. Operating profit climbed 12.3%, and income from continuing operations advanced 6.2% to $8,078,000. Diluted earnings per common share for fiscal 2006 were $2.62, and book value per common share increased 7.7% from the previous year to $39.20.

The Company continued to maintain a strong balance sheet. Patriot completed Fiscal 2006 with a consolidated debt to equity ratio of about 53%. The Transportation Group carried no debt at year-end, and approximately 80% of total debt (all real estate-related) was long-term, fixed-rate non-recourse. Total debt to total consolidated capital employed was 32% at fiscal year-end.

Transportation Group

Just as in 2005 the Transportation Group began the year with a clear focus on safety, pricing, manning and utilization.

The Group translates "safety" to mean "accident prevention", and its key performance metric remains Preventable Accident Frequency Ratio ("AFR"), or incidents per million miles traveled. The companion AFR for workers compensation lost-time injuries is also employed. AFR's at both subsidiaries, Florida Rock & Tank Lines, Inc, and SunBelt Transport, Inc. declined significantly over the prior year. Substantial portions of the annual cash incentive compensation at all levels, including CEO of Patriot Transportation Holding, Inc., will remain linked to targeted AFR performance. AFR goals for Fiscal 2007 at both subsidiaries reflect continuing improvement compared to 2006.

Appropriate increases for freight rates, including fuel surcharges, were consistently pursued and implemented at both companies. Spiking diesel fuel prices set even higher records during 2006, and the Group was able to substantially neutralize most of this expense threat.

Florida Rock & Tank Lines, Inc. continued to address consolidation among its customer base, especially including petroleum jobbers and convenience store/retail gasoline distribution. Tank Lines made substantial progress leveraging its top-quality customer service reputation with effective regional organization focus and equipment capacity allocation. As fuel prices across the country hit new highs during the year, driving mileage responded and gasoline demand moderated. Such pullbacks led to occasional retail market softness and slackened hauling across Tank Lines' system. Notwithstanding periods of weaker demand, tanker revenues remained mostly constrained as the result of driver recruitment/retention challenges.

On the other hand, freight demand, utilization disruptions and corresponding pricing softness seemingly went into free-fall for the Company's flatbed subsidiary, SunBelt Transport, as work resumed following the Fourth of July holiday. Hauling demand had remained excellent for the first three fiscal quarters.

The culprit was the sudden, severe contraction in residential construction in the wake of the national housing bubble collapse. During the Company's third fiscal quarter, the nation's annualized rate of single-family housing starts fell over 40%. By the end of fiscal 2006, the median price of a new, single-family home had suffered its worst year-over-year decline in more than 35 years.

Earlier in the year SunBelt had opened two new satellite terminals in Mobile, Alabama and Selma, North Carolina. These new locations served to anchor and augment efficient freight traffic lanes serving generally low-cost building materials manufacturers. Excellent customer service, well-situated operating locations and attendant flexibilities for truck positioning all are helping SunBelt counter the headwinds from a sharp market contraction. Simply being able to locate, service and price freight is acting as a powerful tool for driver recruitment/retention, another competitive plus.

Consistent driver manning remained challenging throughout 2006 for both subsidiaries. Driver recruitment and retention will continue a critical limiting factor for the national trucking industry, and Patriot's companies are no exception. Both subsidiaries maintain quite competitive pay and benefits packages while providing safe, continually updated tractors with safety-related on-board technology. Our drivers represent our primary sales force, and Patriot believes great service and concern for the customer first spring from an atmosphere inside the Company of trust, respect and support for the individual.

Notwithstanding end-of-year flatbed challenges and diminished national gasoline consumption, both companies saw equipment utilization improve. Annual revenue per tractor and per driver increased over the prior year. Significant replacement and expansion tractor capacity was received and employed by the Group during 2006.

Credit for such a successful year belongs to the quality and dedication of the men and women who comprise Florida Rock & Tank Lines and SunBelt Transport. Deliberate priority on developing superior organizations to effectively lead, adapt and compete will remain the mission of each company's senior leadership. The fruits of their labors will continue providing a foundation for success.

Real Estate Group

Patriot's real estate business completed another busy year.

Beginning the first quarter the Group purchased a 101-acre expansion site adjacent to the Prince William Parkway near Manassas, Virginia. Following horizontal development work and related jurisdictional permitting, the site should accommodate a future build-out of approximately 1.0 million square feet of office/warehouse product. This new park, Patriot Business Park, is located with excellent access to Dulles International Airport and Interstates 66 and 95. Land development should begin during the spring of 2008.

Feasibility studies and value engineering remain on-going for Commonwealth Avenue, Jacksonville, Florida. Commonwealth is a 50-

acre, rail-served site very near Jacksonville's western beltway, Interstate 295. The property should be able to accommodate about 500,000 square feet of warehouse/office build-out.

Patriot announced on August 2 the formation of a 50-50 joint venture between a subsidiary and Florida Rock Industries, Inc. to develop approximately 4,400 acres of land near Brooksville, Florida (north of Tampa). Most of this property had been the focus of a long-term mining lease with Florida Rock Industries, Inc. However, managements at both companies believe their respective companies will eventually realize greater value from real estate development than from mining. The property will need appropriate regulatory entitlements for real estate development to occur, and it is likely this entitlement process could take several years.

Another important event occurred on October 23, 2006. Maryland State Road 43 ("White Marsh Boulevard") was formally opened, connecting White Marsh/Interstate 95 to Martin State Airport/Eastern Boulevard. The Real Estate Group's Windlass Run Business Park, a 179-acre property near Bird River in southeastern Baltimore County, will have direct access to the new Route 43. The site is zoned for both residential and commercial use for 104 developable acres. Plans call for a commercial build-out of about 515,000 square feet of warehouse/office product on the 42 developable acres zoned commercial. Meanwhile plans are being pursued to obtain residential zoning upgrade to permit optimal development of the remaining 62 developable acres.

Amidst these expansion efforts, progress continued for the group's existing warehouse/office portfolio. The most recent expansion, 7020 Dorsey Road, was completed and placed in service during the fourth quarter. This newest addition, comprising 84,760 square feet, is located in the Group's Hillside Business Park within two miles to the Baltimore-Washington International Thurgood Marshall Airport. The building is now 55% leased and increases the Group's total developed portfolio by about 4% to 2,417,000 square feet, which was 93.3% occupied at year-end.

Regarding existing business parks, a new building, 2204 Lakeside Boulevard, is now under construction. This new building will comprise 73,200 square feet. About 342,990 square feet of build-out still remains at the Group's Lakeside Business Park. Another 40,000 square feet of build-out is left at Hillside Business Park.

Finally, planning and zoning-related efforts affecting the Group's 5.8 acre undeveloped site in Washington, D.C. along the Anacostia River have progressed rapidly as construction continues for the new Washington Nationals Baseball Stadium. The new stadium is located across the street from Patriot's site and is scheduled to open for play in 2008.

The Real Estate Group has been steadfastly pursuing a modified Planned Unit Development ("PUD") zoning for the site that would allow up to 440,000 square feet of residential development and 625,000 square feet of commercial build-out. The Stadium's proximity to the Patriot tract, together with construction actively underway on the Stadium site, should serve as positive catalysts for eventual urban planning to crystallize for the immediate area, not to mention the greater Anacostia waterfront. The Company also owns a nearby 2.1 acre undeveloped site also on the same side and fronting the Anacostia River.

Conclusion

We at Patriot remain encouraged and excited by progress achieved across our businesses during 2006.

While keeping a careful eye on developing regional and national economic fall-out from the housing contraction, we intend to continue prospecting actively for attractive growth opportunities.

We again express our thanks to the great folks who make Patriot go, to our customers and to our shareholders for your loyal support.

Respectfully yours,

Edward L. Baker
Chairman

John E. Anderson
President & Chief Executive Officer

OPERATING PROPERTIES

Transportation. During fiscal 2006, the Company's transportation group operated through two wholly owned subsidiaries. Florida Rock & Tank Lines, Inc. (Tank Lines) is engaged in hauling petroleum and other liquid and dry bulk commodities in tank trucks. SunBelt Transport, Inc. (SunBelt) is engaged primarily in hauling building and construction materials on flatbed trailers.

Tank Lines operates from terminals in Jacksonville, Orlando, Panama City, Pensacola, Tampa and White Springs, Florida; Albany, Atlanta, Augusta, Bainbridge, Columbus, Dalton, Macon and Savannah, Georgia; Knoxville, Tennessee; Montgomery, Alabama; and Wilmington, North Carolina. SunBelt's flatbed fleet is based in Jacksonville and Tampa, Florida; Atlanta and Savannah, Georgia; South Pittsburg, Tennessee; Mobile, Alabama; and Selma, North Carolina and operates primarily in the Southeastern U.S.

At September 30, 2006, the transportation group owned and operated a fleet of 680 trucks and 997 trailers.

During fiscal 2006, the transportation group purchased 198 new tractors and 89 new trailers and had commitments to purchase an additional 60 tractors and 4 trailers at September 30, 2006. Starting in January 2007, more stringent engine emissions standards mandated by the Environmental Protection Agency become effective for all newly manufactured trucks. The Company expects that the engines produced under the 2007 standards will be less fuel-efficient and have a higher cost than the current engines. The company accelerated its normal tractor replacement cycle so that the fiscal 2007 capital expenditure plan only includes the 60 tractors on order at September 30, 2006 to be received before January 1, 2007. The fiscal 2007 plan also includes 20 new trailers. The fleet modernization program has resulted in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention.

Real Estate. The real estate group operates the Company's real estate and property development activities through subsidiaries.

The Company owns real estate in Florida, Georgia, Virginia, Maryland, Delaware and Washington, D.C. The real estate owned generally falls into one of three categories: (i) land and/or buildings leased under rental agreements or being developed for rental; (ii) land with construction aggregates deposits, substantially all of which is leased to Florida Rock Industries, Inc. (FRI) under mining royalty agreements, whereby the Company is paid a percentage of the revenues generated or annual minimums; and, (iii) land held for future appreciation or development.

At September 30, 2006, the Company owned 10 parcels of land containing 219 usable acres in the Mid-Atlantic region of the United States as follows:

1) Hillside Business Park in Anne Arundel County, Maryland consists of 49 usable acres near the Baltimore-Washington International Airport. Infrastructure work on the site is substantially completed and four buildings with a total of 504,740 square feet are completed. Of the four existing buildings, three are 100% leased/occupied and the fourth,

completed in September 2006 is 55% leased. Upon occupancy of the 55% tenant in November 2006, this park will be 92% occupied. The Company plans to develop the final building with a minimum of 40,000 square feet.

2) Lakeside Business Park in Harford County, Maryland consists of 83 usable acres. Seven warehouse/office buildings, totaling 671,241 square feet, have been constructed and are 100% leased. A 73,200 square foot building is under construction with completion scheduled for the summer of 2007. The remaining 26 acres are available for future development and will have the potential to offer an additional 343,000 square feet of comparable product.

3) 6920 Tudsbury Road in Baltimore County, Maryland contains 5.3 acres with 86,100 square feet of warehouse/office space that is 100% leased.

4) 8620 Dorsey Run Road in Howard County, Maryland contains 5.8 acres with 85,100 square feet of warehouse/office space that is 100% leased.

5) Rossville Business Center in Baltimore County, Maryland contains approximately 10 acres with 190,517 square feet of warehouse/office space and is 100% leased.

6) 34 Loveton Circle in suburban Baltimore County, Maryland contains 8.5 acres with 29,921 square feet of office space, which is 100% leased. The Company occupies 23% of the space and 23% is leased to FRI.

7) Oregon Business Center in Anne Arundel County, Maryland contains approximately 17 acres with 195,615 square feet of warehouse/office space, which is 85% leased.

8) Arundel Business Center in Howard County, Maryland contains approximately 11 acres with 162,796 square feet of warehouse/office space, which is 86% leased.

9) 100-400 Interchange Boulevard in New Castle County, Delaware contains approximately 17 acres with 303,006 square feet of warehouse/office space, which is 92% leased. The remaining 8.8 acres are available for future development and have the potential to offer an additional 88,000 square feet of comparable product.

10) 1187 Azalea Garden Road in Norfolk, Virginia contains approximately 12 acres with 188,093 square feet of warehouse/office space, which is 100% leased.

Future Planned Developments. At September 30, 2006 the Company owned the following future development parcels:

1) Windlass Run Business Park, formerly referred to as Bird River, located in southeastern Baltimore County, Maryland, is a 179-acre tract of land that will have direct access to Maryland State Road 43 which was completed in October 2006 and will connect I-95 with Martin State Airport. This property is currently zoned for residential and commercial use with 104 developable acres. The Company plans to develop and lease approximately 515,000 square feet of multiple warehouse/office buildings on the 42 developable acres zoned for commercial use. Land development

efforts will commence in the spring of 2007. Meanwhile plans are being pursued to obtain residential zoning upgrade and eventual maximization of the remaining 62 acres.

As previously reported, a subsidiary of the Company entered into an agreement to develop and sell to a homebuilder a minimum of 292 residential lots on the residential portion of the future Windlass Run Business Park. The agreement was subject to a number of contingencies, including a zoning upgrade followed by an approval by Baltimore County of a Planned Unit Development (PUD) by July 1, 2006 allowing the development of a minimum of 292 residential lots. The Company was unable to obtain the necessary approval by July 1, 2006 and, therefore, has terminated the agreement with the homebuilder. The Company continues to pursue the zoning upgrade and to explore development strategies that will ultimately maximize the market value of this residential property.

2) Patriot Business Park, located in Prince William County, Virginia, is a 101-acre tract of land which is immediately adjacent to the Prince William Parkway providing access to I-66. The Company plans to develop and lease approximately 1,000,000 square feet of multiple warehouse/office buildings on the property. Land development efforts will commence in the spring of 2008.

3) Brooksville Quarry LLC. On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Florida Rock Industries, Inc. (FRI) to develop approximately 4,400 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in approximately 3,500 acres that it leased to FRI under a long-term mining lease. FRI will continue to mine the property and pay royalties to FRP for as long as mining does not interfere with the development of the property.

FRP also reimbursed FRI approximately $3 million for one-half of the acquisition costs of a 288-acre contiguous parcel recently acquired by FRI from a third party. The 288-acre parcel was contributed to the Joint Venture. FRI contributed 553 acres that it owns as well as its leasehold interest in the 3,500 acres that it leased from FRP.

The joint venture will be jointly controlled by FRI and FRP. Each party has a mandatory obligation to fund additional capital contributions of up to $2 million. Distributions will be made on a 50-50 basis.

The property does not yet have the necessary entitlements for real estate development. Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and the outcome is inherently uncertain. The Company currently expects that the entitlement process may take several years to complete.

4) Anacosta River. The Company owns a 5.8 acre parcel of undeveloped real estate in Washington D.C. that fronts the Anacostia River and is one block from the construction site for the new Washington Nationals Baseball Stadium which is scheduled for completion in 2008. The Company also owns a nearby 2.1 acre tract on the same bank of the Anacostia River. Currently, these properties are leased to Florida Rock

Industries, Inc., on a month-to-month basis.

The Company has been pursuing development efforts with respect to the 5.8-acre parcel for several years. The Company previously obtained a Planned Unit Development (PUD) Zoning approval for development of the property and has been working to obtain approval of a modified PUD that would allow up to 625,000 square feet of commercial development and up to 440,000 square feet of residential development. Consideration of a proposed action by the Zoning Commission is anticipated at their scheduled public meeting on January 8, 2007. The Company remains optimistic that its zoning application will be approved while at the same time recognizing that there is inherent uncertainty in any zoning approval process.

5) Commonwealth Avenue in Jacksonville, Florida is a 50-acre, rail accessible site near the western beltway of Interstate-295 capable of supporting approximately 500,000 square feet of eventual warehouse/office build-out.

Five Year Summary-Years ended September 30
(Amounts in thousands except per share amounts)

	2006	2005	2004	2003	2002
Summary of Operations:					
Revenues	$147,374	131,036	115,789	102,561	95,898
Gross profit	$ 29,152	24,993	22,482	17,590	20,008
Operating profit	$ 17,055	15,191	13,430	9,437	11,879
Interest expense	$ 3,955	3,276	3,907	3,497	3,164
Income from continuing operations	$ 8,078	7,609	6,096	3,627	5,332
Per Common Share:					
Basic	$ 2.71	2.58	2.08	1.19	1.70
Diluted	$ 2.62	2.50	2.05	1.18	1.68
Discontinued operations	$ -	-	14,644	1,023	516
Net income	$ 8,078	7,609	20,740	4,650	5,848
Per Common Share:					
Basic	$ 2.71	2.58	7.08	1.53	1.86
Diluted	$ 2.62	2.50	6.97	1.51	1.85
Financial Summary:					
Current assets	$ 17,412	19,569	30,066	13,965	11,490
Current liabilities	$ 18,192	16,221	23,099	11,220	11,972
Property and equipment, net	$192,073	164,936	149,011	139,379	138,367
Total assets	$219,215	193,715	186,821	166,643	156,769
Long-term debt	$ 60,548	48,468	41,185	57,816	47,290
Shareholders' equity	$118,052	107,901	98,972	78,914	79,970
Net Book Value Per common Share	$ 39.20	36.39	33.79	26.91	25.31
Other Data:					
Weighted average common shares - basic	2,980	2,950	2,931	3,033	3,143
Weighted average common shares - diluted	3,087	3,039	2,976	3,066	3,165
Number of employees	981	925	908	845	861
Shareholders of record	634	679	702	745	767

Quarterly Results (unaudited)
(Dollars in thousands except per share amounts)

	First		Second		Third		Fourth	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	$35,423	31,419	35,561	32,059	37,611	33,106	38,779	34,452
Gross profit	$ 6,782	5,962	6,837	5,714	7,340	6,852	8,193	6,465
Net income	$ 1,898	1,684	1,705	1,573	1,844	2,140	2,631	2,212
Earnings per common share:								
Basic	$ .64	.57	.57	.53	.62	.72	.88	.75
Diluted	$ .62	.56	.56	.52	.59	.70	.85	.72
Market price per common share(a):								
High	$70.58	44.99	70.71	53.92	93.98	52.76	85.45	68.70
Low	$65.92	32.15	62.64	42.46	67.74	42.70	63.07	52.45

(a) All prices represent high and low daily closing prices as reported by NASDAQ.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Executive Overview

Patriot Transportation Holding, Inc. (the Company) is a holding company engaged in the transportation and real estate businesses through wholly owned subsidiaries.

The Company's transportation business operates through two subsidiaries: Florida Rock & Tank Lines, Inc. (Tank Lines) is engaged in hauling primarily petroleum related bulk liquids and dry bulk commodities in tank trailers. SunBelt Transport, Inc. (SunBelt) is engaged in hauling primarily building and construction materials on flatbed trailers.

The Company's real estate business is operated through two subsidiaries: Florida Rock Properties, Inc. and FRP Development Corp. The Company owns real estate in Florida, Georgia, Virginia, Maryland, Delaware and Washington, D.C. The real estate owned generally falls into one of three categories: (i) land and/or buildings leased under rental agreements or being developed for rental; (ii) land with construction aggregates deposits, substantially all of which is leased to Florida Rock Industries, Inc. under mining royalty agreements; and, (iii) land held for future appreciation or development.

The Company is a related party to Florida Rock Industries, Inc. (FRI) because four of the Company's directors are also directors of FRI and such directors own approximately 25.6% of the stock of FRI and 45.9% of the stock of the Company. The Company derived 5.6% of its consolidated revenue from FRI in fiscal 2006.

Net income was $8,078,000 or $2.62 per diluted share in fiscal 2006, an increase of 6.2% compared to $7,609,000 or $2.50 per diluted share in fiscal 2005. This increase was generated primarily from the revenue growth in both the transportation segment and developed properties while fixed expenses remained steady.

Transportation. The Company generates transportation revenue by providing over the road hauling services for customers primarily in the petroleum products (Tank Lines) and building construction materials industry (SunBelt). The majority of our petroleum products customers are major oil companies and convenience store chains, who sell gasoline or diesel fuel directly to the retail market. Our customers in the building construction industries are generally the manufacturer of the products who contract with us to deliver goods to their customers or within their distribution systems.

Our customers generally pay for services based on miles driven. We also bill for other services that may include stop-offs, pump-offs, and load tarping. Additionally, we may bill customers a fuel surcharge that relates to the fluctuations in diesel fuel costs.

Miles hauled and rates per mile are the primary factors impacting transportation revenue. Generally, changes in miles or rates will affect revenue. Given the large increases in diesel fuel costs over the past 30 months, fuel surcharges have become a critical factor affecting overall transportation revenue.

On long-haul trips we generally bill for miles driven while under load. We calculate and monitor weekly a loaded mile factor, which is the ratio of loaded miles to total miles. A decrease in the loaded mile factor will have a negative effect on operating profit. SunBelt is acutely affected by the loaded mile factors, as the majority of its trips are medium-haul (approximately 350 miles). Tank Lines, on the other hand, primarily engages in short-haul (approximately 95 miles) out-and-back deliveries and generally is paid for round trip miles.

Operating safely, efficient equipment utilization, appropriate freight rates, and driver retention are the most critical factors in maintaining profitable operations. Statistics related to these factors are monitored weekly and monthly. Operating expenses are generally split evenly between variable (driver pay, fuel, and maintenance) and fixed costs (overhead, insurance and depreciation). As a result, increases in revenue will generally improve our operating ratios.

The Company’s transportation segment faces on-going challenges from tight driver availability and high diesel fuel expenses. Particular concerns focus on threats to profitability for its flatbed subsidiary as the result of poor freight demand, utilization disruption and pricing softness primarily resulting from the effects of the regional and national housing contraction.

Real Estate. The Company owns real estate in Florida, Georgia, Virginia, Maryland, Delaware, and Washington, D.C. The real estate owned generally falls into one of three categories: (i) land and/or buildings leased under rental agreements or being developed for rental; (ii) land with construction aggregates deposits; and (iii) land held for future appreciation or development.

Revenue from land and/or buildings under rental agreements is generated primarily from leasing our portfolio of flex office/warehouse buildings. Our flex office/warehouse product is a functional warehouse with the ability to configure portions as office space as required by our tenants. We lease space to tenants who generally sign multiple year agreements. Growth is achieved by increasing occupancy and lease rates in existing buildings and by developing or acquiring new warehouses. We attempt to develop or purchase properties in areas that have high growth potential and are accessible to major interstates or other distribution lanes.

The following table shows the total developed square footage and occupancy rates of our flex office/warehouse parks at September 30, 2006:

Development	Location	Total Sq. feet	% Occupied
Hillside (1)	Anne Arundel Co., MD	504,740	83.2%
Lakeside	Harford Co., MD	671,241	100.0%
Tudsbury	Baltimore Co., MD	86,100	100.0%
Dorsey Run	Howard Co., MD	85,100	100.0%
Rossville	Baltimore Co., MD	190,517	100.0%
Loveton	Baltimore Co., MD	29,921	100.0%
Oregon	Anne Arundel Co., MD	195,615	85.1%
Arundel	Howard Co., MD	162,796	85.7%
Interchange	New Castle Co., DE	303,006	91.9%
Azalea Garden	Norfolk, VA	188,093	100.0%
		2,417,129	93.3%

(1) An agreement has been executed to lease 46,650 square feet to commence on or around November 15, 2006.

In addition to the completed buildings, land is available to construct additional buildings at Hillside Business Park (40,000 square feet), Lakeside Business Park (416,200 square feet of which 73,200 square feet was under construction on September 30, 2006) and Interchange (88,000 square feet).

We also own a portfolio of mineable land, substantially all of which is leased to FRI under long-term mining royalty agreements, whereby we are paid a percentage of the revenues generated from mined product sold or annual minimum rents. The mines primarily consist of construction aggregates, such as stone and sand and calcium deposits.

Properties held for future development include:

Windlass Run Business Park, formerly referred as Bird River, located in southeastern Baltimore County, Maryland, is a 179-acre tract of land that will have direct access to Maryland State Road 43 which was completed in October 2006 and will connect I-95 with Martin State Airport. This property is currently zoned for residential and commercial use with 104 developable acres. The Company plans to develop and lease approximately 515,000 square feet of multiple warehouse/office buildings on the 42 developable acres zoned for commercial use. Land development efforts will commence in the spring of 2007.

The Company owns a 5.8 acre parcel of undeveloped real estate in the southeast quadrant of Washington, D.C. that fronts the Anacostia River and a nearby 2.1 acre tract on the same bank of the Anacostia River. Currently, these properties are leased to FRI on a month-to-month basis.

For several years, the Real Estate Group has been pursuing development efforts with respect to the 5.8-acre parcel. The Company previously obtained Planned Unit Development (PUD) Zoning approval for development of the property and has been working to obtain approval of a modified PUD that would allow up to 625,000 square feet of commercial development and up to 440,000 square feet of residential development. If the modified PUD is approved, the Company would have up to two years to commence development in accordance with the modified PUD.

The development of this property will be impacted, at least to some degree, by the proposed construction on nearby property of a new baseball stadium for the Washington Nationals baseball team scheduled for completion in early 2008. The Company will monitor ongoing developments relating to the stadium while continuing to pursue its existing plans to develop the property.

Commonwealth Avenue is a 50-acre, rail accessible site in Jacksonville, Florida near the western beltway of Interstate-295 capable of supporting approximately 500,000 square feet of warehouse/office build-out.

COMPARATIVE RESULTS OF OPERATIONS

Transportation

	Fiscal Years ended September 30					
(dollars in thousands)	2006	%	2005	%	2004	%
Transportation revenue	$108,800	86%	101,934	90%	94,786	95%
Fuel surcharges	17,452	14%	10,890	10%	4,638	5%
Revenues	126,252	100%	112,824	100%	99,424	100%
Compensation and benefits	48,281	38%	44,185	39%	40,779	41%
Fuel expenses	27,444	22%	21,555	19%	14,779	15%
Insurance and losses	11,107	9%	11,925	11%	11,462	12%
Depreciation expense	8,563	7%	7,920	7%	7,875	8%
Other, net	13,338	10%	12,499	11%	11,317	11%
Cost of operations	108,733	86%	98,084	87%	86,212	87%
Gross profit	$ 17,519	14%	14,740	13%	13,212	13%

The Transportation group's goals for 2006 were to operate safely, improve freight rates and fuel surcharges, recruit and retain qualified drivers and maximize equipment utilization.

Revenues 2006 vs 2005 – Transportation segment revenues were $126,252,000, an increase of $13,428,000 or 11.9% over 2005. The average price paid per gallon of diesel fuel increased $0.45 over

2005 and as a result fuel surcharge revenue increased $6,562,000. Excluding fuel surcharges, revenue per mile increased 5.0%, reflecting better pricing for our services. Revenue miles in the current year were up 1.5% compared to 2005 and were constrained by low driver availability.

Revenues 2005 vs 2004 - Transportation segment revenues were $112,824,000, an increase of $13,400,000 or 13.5% over 2004. The average price paid per gallon of diesel fuel increased $0.55 over 2004 and as a result fuel surcharge revenue increased $6,252,000. Excluding fuel surcharges, revenue per mile increased 5.1%, reflecting better pricing for our services. Revenue miles in the current year were up 2.3% compared to 2004 and were constrained by low driver availability.

Expenses 2006 vs 2005 – Transportation’s cost of operations increased $10,649,000 to $108,733,000 in 2006, compared to $98,084,000 in 2005. The primary factors for the increase were increased miles and higher diesel fuel costs. Average diesel fuel cost per gallon increased 21.9% in 2006 compared to 2005. Compensation and benefits were higher as a result of increased revenue miles, higher driver pay, and vacation expense not previously accrued. Insurance and losses for the year decreased $818,000 primarily due to lower than expected development of prior year claims. As a percent of revenue cost of operations decreased slightly.

Expenses 2005 vs 2004 - Transportation’s cost of operations increased $11,872,000 to $98,084,000 in 2005, compared to $86,212,000 in 2004. The primary factors for the increase were increased miles, higher diesel fuel costs and an increase in risk insurance costs. Average diesel fuel cost per gallon increased 36.2% in 2005 compared to 2004. Compensation and benefits were higher as a result of increased revenue miles and higher driver pay. As a percent of revenue cost of operations remained constant.

Real Estate

	Fiscal Years ended September 30					
(dollars in thousands)	2006	%	2005	%	2004	%
Royalties and rent	$ 6,643	31%	6,143	34%	5,822	36%
Developed property rentals	14,479	69%	12,069	66%	10,543	64%
Total revenue	21,122	100%	18,212	100%	16,365	100%
Mining and land rent expenses	1,633	8%	1,378	8%	1,887	12%
Developed property management	7,856	37%	6,581	36%	5,208	32%
Cost of operations	9,489	45%	7,959	44%	7,095	43%
Gross profit	$ 11,633	55%	10,253	56%	9,270	57%

Revenues 2006 vs 2005 – Real Estate revenues increased $2,910,000 or 16.0% in 2006 to $21,122,000. Lease revenues from developed properties increased $2,410,000 or 20.0% due to an increase in occupied square footage along with higher rental rates on new leases. Royalties from mining operations increased as a result of increased royalties per ton.

Revenues 2005 vs 2004 - Real Estate revenues increased $1,847,000 or 11.3% in 2005 to $18,212,000. Lease revenues from developed properties increased $1,526,000 or 14.5% due to an increase in occupied square feet resulting from the completion of a pre-leased 74,600 square foot building in January 2005, the purchase of a fully leased 188,000 square foot building in October 2004, and the completion of a pre-leased 145,180 square foot building in July 2005. Royalties from mining operations increased 5.5% during 2005 as a result of increased royalties per ton.

Expenses 2006 vs 2005 – Real Estate segment expenses increased to $9,489,000 in 2006, compared to $7,959,000 in 2005. Expenses related to development activities increased as a result of new building additions, increased staffing and professional fees to facilitate continuing portfolio expansion.

Expenses 2005 vs 2004 - Real Estate segment expenses increased slightly to $7,959,000 in 2005, compared to $7,095,000 in 2004. Expenses related to development activities increased as a result of the new building additions.

Consolidated Results

Gross Profit - Consolidated gross profit was $29,152,000 in 2006 compared to $24,993,000 in 2005, an increase of 16.6%. Consolidated gross profit was $24,993,000 in 2005 compared to $22,482,000 in 2004, an increase of 11.2%.

Selling, general and administrative expense - Selling, general and administrative expenses for 2006 increased $2,295,000 to $12,097,000 or 23.4%. The increase included $968,000 from stock compensation expense as required by SFAS 123R (see Note 8 to the Consolidated Financial Statements), $336,000 of audit fees and Sarbanes-Oxley compliance work and $269,000 of vacation expense not previously accrued (see Note 12 to the Consolidated Financial Statements). SG&A expense was 8.2% of revenue for fiscal 2006 compared to 7.5% for fiscal 2005.

Selling, general and administrative expenses for 2005 increased $750,000 or 8.3% to $9,802,000 or 7.5% of consolidated revenues. The increase was due to professional fees, management incentive compensation, and additional staffing.

Interest expense – Interest expense for 2006 increased $679,000 to $3,955,000 due to increased long-term debt and higher borrowings under the revolving credit agreement supporting recent capital additions in real estate and new truck purchases. Interest expense decreased $631,000 in 2005 from 2004 due to prepayment in 2004 of high rate long-term debt and lower average borrowings under the revolving credit agreement.

Income taxes – Income tax expense increased $835,000 to $5,171,000 compared to $4,336,000 in 2005. This is due to higher earnings before taxes and an increase in the effective tax rate to 39.0%

versus 36.3% last year. Income tax expense increased $457,000 to $4,336,000 in 2005 compared to $3,879,000 in 2004 due to higher earnings in 2005 partially offset by a decrease in the effective tax rate to 36.3% in 2005 versus 39.0% in 2004. The decrease in the effective tax rate in 2005 over 2004 was due to a $203,000 reduction in state income tax reserves from the expiration of certain contingencies.

Income from continuing operations - Income from continuing operations was $8,078,000 or $2.62 per diluted share in fiscal 2006, an increase of 6.2% compared to $7,609,000 or $2.50 per diluted share in fiscal 2005. Income from continuing operations increased 24.8% in 2005 from $6,096,000 or $2.05 per diluted share in fiscal 2004.

Discontinued Operations - The Company had three sales of real estate in 2004 which have been accounted for as discontinued operations, in accordance with SFAS 144. The income from the operations and gains on sale of these components have been reflected in the consolidated income statement as income from discontinued operations, net of income taxes. The after-tax gain from the sale of the properties in 2004 was $14,456,000. The after-tax net income from the operations of the sold properties was $188,000 for 2004.

Net income – Net income increased to $8,078,000 in fiscal 2006 from $7,609,000 in 2005 as a result of revenue growth in both the transportation segment and developed properties while fixed expenses remained steady. Fiscal 2005 net income was down from $20,740,000 in 2004 as a result of the gains from property sales in 2004 classified as discontinued operations. Diluted earnings per share increased to $2.62 in fiscal 2006 from $2.50 in 2005, and were $6.97 in 2004.

LIQUIDITY AND CAPITAL RESOURCES

For fiscal 2006, the Company used cash provided by operating activities of $22,772,000, borrowings of $12,452,000 under its Revolver, additional long-term debt of $2,084,000 and proceeds of $1,688,000 from the sales of property and equipment to purchase $40,601,000 in property and equipment and to make scheduled payments of $2,312,000 of long-term debt.

For fiscal 2005, the Company used cash provided by operating activities of $10,535,000, proceeds of $1,377,000 from the sales of property and equipment, $16,553,000 of cash released from escrow, $877,000 in stock options exercised and $7,003,000 in additional long-term borrowings to fund the $28,574,000 purchase of property and equipment, and the $5,004,000 reduction in revolving debt and amortization of long-term debt.

During 2004 the Company sold three properties for $29,628,000 in cash, resulting in before tax gains of $23,652,000. The net proceeds of $29,471,000 from the sale of these properties were placed in escrow in anticipation of utilizing the funds to purchase replacement property in tax deferred exchanges under IRC Section 1031. Due to a competitive real estate market for suitable exchange properties, not all of the gains resulting from the property sales could be utilized under Section 1031. During fiscal 2004, $11,417,000 was used in qualified exchanges and $3,265,000 was released from escrow for general use leaving a balance in escrow of $16,553,000 at September 30, 2004. On October 1, 2004, $7,150,000 of the escrowed funds were used in a qualified exchange and the remaining funds of $9,340,000 were released for general use.

During fiscal 2006 the Company converted a construction loan into a 15-year non-recourse mortgage of $11,800,000 with an interest rate of 6.12%. The construction loan was used to develop a 145,000 square foot build-to-suit warehouse/office building pursuant to a 15-year triple net lease.

The Company has a $37,000,000 revolving credit agreement (the Revolver) of which $24,548,000 was available at fiscal year end. The Revolver contains restrictive covenants including limitations on paying cash dividends. Under these restrictions, as of September 30, 2006, $24,260,000 of consolidated retained earnings was available for payment of dividends.

The Company had $18,887,000 of irrevocable letters of credit outstanding at September 30, 2006. Most of the letters of credit are irrevocable for a period of one year and are automatically extended for additional one-year periods unless notified by the issuing bank not less than thirty days before the expiration date. Substantially all of these were issued for workers' compensation and liability insurance retentions. If these letters of credit are not extended the Company will have to find alternative methods of collateralizing or funding these obligations.

The Board of Directors has authorized management to repurchase shares of the Company's common stock from time to time as opportunities may arise. No shares were repurchased during fiscal 2006 or fiscal 2005. During fiscal 2004, the company repurchased 77,533 shares for approximately $2,510,000 at an average price of $32.37 per share. At September 30, 2006 the Company had $3,490,000 authorized for repurchase of shares.

The Company has committed to make an additional capital contribution of up to $2 million dollars to Brooksville Quarry, LLC in connection with a joint venture with FRI (see Transactions with Related Parties).

The Company currently expects its fiscal 2007 capital expenditures to be approximately $29,000,000 ($21,000,000 for real estate development expansion and $8,000,000 for transportation segment expansion and replacement equipment). Depreciation and depletion expense is expected to be approximately $13,617,000.

The Company expects that cash flows from operating activities, secured financing on existing and planned real estate projects, and the funds available under its revolving credit agreement will be adequate to finance these capital expenditures and its working capital needs for the next 12 months and the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

Except for the letters of credit described above under "Liquidity and Capital Resources," the Company does not have any off balance sheet arrangements that either have, or are reasonably likely to have, a current or future material effect on its financial condition.

CRITICAL ACCOUNTING POLICIES

Management of the Company considers the following accounting policies critical to the reported operations of the Company:

Accounts Receivable Valuation. The Company is subject to customer credit risk including bankruptcies that could affect the collection of outstanding accounts receivable and straight-lined rents. To mitigate these risks, the Company performs credit reviews on all new customers and periodic credit reviews on existing customers. A detailed analysis of late and slow pay customers is prepared monthly and reviewed by senior management. The overall collectibility of outstanding receivables and straight-lined rents is evaluated and allowances are recorded as appropriate.

Revenue and Expense Recognition. Transportation revenue, including fuel surcharges, is recognized when there is an agreement in place, the services have been rendered to customers or delivery has occurred, the pricing is fixed or determinable and collectibility is reasonably assured. Transportation expenses are recognized as incurred.

Real estate rental revenue and mining royalties are generally recognized when earned under the leases. Rental income from leases with scheduled increases during their term is recognized on a straight-line basis over the term of the lease. Reimbursements of expenses, when provided in the lease, are recognized in the period that the expenses are incurred.

Sales of real estate are recognized when the collection of the sales price is reasonably assured and when the Company has fulfilled substantially all of its obligations, which are typically as of the closing date.

Property and Equipment. Property and equipment is recorded at cost less accumulated depreciation. Provision for depreciation of property, plant and equipment is computed using the straight-line method based on the following estimated useful lives:

	Years
Buildings and improvements	7-39
Revenue equipment	7-10
Other equipment	3-10

Depletion of sand and stone deposits is computed on the basis of units of production in relation to estimated reserves.

The Company periodically reviews property and equipment and intangible assets for potential impairment. If this review indicated that the carrying amount of the asset may not be recoverable, the Company would estimate the future cash flows expected with regards to the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the assets, the Company would record an impairment loss based on the fair value of the asset. The Company performs an annual impairment test on goodwill.

All direct and indirect costs, including interest and real estate taxes, associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. Included in indirect costs is an estimate of internal costs associated with development and rental of real estate investments. Changes in estimates or assumptions could have impact on financials.

Risk Insurance. The nature of the Transportation business subjects the Company to risks arising from workers' compensation, automobile liability, and general liability claims. The Company retains the exposure on certain claims of $250,000 to $500,000 and has third party coverage for amounts exceeding the retention. The Company expenses during the year an estimate of risk insurance losses. Periodically, an analysis is performed, using historical and projected data, to determine exposure for claims incurred and reported but not yet settled and for claims incurred but not reported. On an annual basis the Company obtains an independent actuarial analysis to assist in estimating the losses expected on such claims. The Company attempts to mitigate losses from insurance claims by maintaining safe operations and providing mandatory safety training. Significant changes in assumptions or claims history could have a material impact on our operations.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of September 30, 2006:

		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgages Including Interest	$77,278	6,363	11,938	11,938	47,039
Revolving Debt	12,452	-	-	12,452	-
Operating Leases	287	287	-	-	-
Purchase Commitments	8,188	8,188	-	-	-
Other Long-Term Liabilities	1,003	75	167	158	603
Total obligations	$99,208	14,913	12,105	24,548	47,642

INFLATION

Historically, the Company has been able to recover inflationary cost increases in the transportation group through increased freight rates. It is expected that over time, justifiable and necessary rate increases will be obtained. Substantially all of the Company's royalty agreements are based on a percentage of the sales price of the related mined items. Minimum royalties and substantially all lease agreements provide escalation provisions.

FORWARD LOOKING STATEMENTS

Certain matters discussed in this report contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from these indicated by such forward-looking statements. These forward-looking statements relate to, among other things, capital expenditures, liquidity, capital resources and competition and may be indicated by words or phrases such as "anticipate," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "management believes," "the Company believes," "the Company intends" and similar words or phrases. The following factors and other risk factors discussed in the Company’s periodic reports and filings with the Securities and Exchange Commission are among the principal factors that could cause actual results to differ materially from the forward-looking statements: driver availability and cost; the impact of future regulations regarding the transportation industry; availability and terms of financing; freight demand for petroleum products including recessionary and terrorist impacts on travel in the Company’s markets; freight demand for building and construction materials in the Company’s markets; risk insurance markets; competition; general economic conditions; demand for flexible warehouse/office facilities in the Baltimore/Washington area; ability to obtain zoning and entitlements necessary for property development; interest rates; levels of construction activity in FRI’s markets; fuel costs; and inflation. However, this list is not a complete statement of all potential risks or uncertainties. These forward-looking statements are made as of the date hereof based on management’s current expectations, and the Company does not undertake an obligation to update such statements, whether as a result of new information, future events or otherwise. Additional information regarding these and other risk factors may be found in the Company’s Annual Report on Form 10-K and in other filings made from time to time with the Securities and Exchange Commission.

CONSOLIDATED STATEMENTS OF INCOME - Years ended September 30
(In thousands except per share amounts)

	2006	2005	2004
Revenues:			
Transportation	$126,252	112,824	99,424
Real estate	21,122	18,212	16,365
Total revenues (including revenue from related parties of $8,321, $6,728, and $7,623, respectively)	147,374	131,036	115,789
Cost of operations:			
Transportation	108,733	98,084	86,212
Real estate	9,489	7,959	7,095
Gross profit	29,152	24,993	22,482
Selling, general and administrative expense (including expenses paid to related party of $191, $174, and $372, respectively)	12,097	9,802	9,052
Operating profit	17,055	15,191	13,430
Interest income and other	149	30	452
Interest expense	(3,955)	(3,276)	(3,907)
Income from continuing operations before income taxes	13,249	11,945	9,975
Provision for income taxes	5,171	4,336	3,879
Income from continuing operations	8,078	7,609	6,096
Discontinued operations (Note 3):			
Income from operations, net of tax	-	-	188
Gain on sale of properties, net of tax	-	-	14,456
Discontinued operations	-	-	14,644
Net income	$ 8,078	7,609	20,740
Basic earnings per common share:			
Income from continuing operations	$ 2.71	2.58	2.08
Discontinued operations	-	-	5.00
Net income	$ 2.71	2.58	7.08
Diluted earnings per common share:			
Income from continuing operations	$ 2.62	2.50	2.05
Discontinued operations	-	-	4.92
Net income	$ 2.62	2.50	6.97
Number of weighted average shares (in thousands) used in computing:			
- basic earnings per common share	2,980	2,950	2,931
- diluted earnings per common share	3,087	3,039	2,976

See accompanying notes.

CONSOLIDATED BALANCE SHEETS - As of September 30
(In thousands, except share data)

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	$ 154	2,966
Accounts receivable (including related party of $546 and $288 and net of allowance for doubtful accounts of $359 and $525, respectively)	11,761	11,731
Inventory of parts and supplies	854	799
Deferred income taxes	870	392
Prepaid tires on equipment	2,230	1,959
Prepaid taxes and licenses	1,216	1,291
Prepaid insurance	260	259
Prepaid expenses, other	67	172
Total current assets	17,412	19,569
Property and equipment, at cost:		
Land	76,239	62,304
Buildings	103,498	97,455
Equipment	89,778	79,167
Construction in progress	8,120	7,799
	277,635	246,725
Less accumulated depreciation and depletion	85,562	81,789
	192,073	164,936
Real estate held for investment, at cost	1,093	1,093
Goodwill	1,087	1,087
Unrealized rents	2,201	1,608
Other assets	5,349	5,422
Total assets	$219,215	193,715
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 5,670	5,674
Federal and state income taxes payable	20	642
Accrued payroll and benefits	5,160	3,247
Accrued insurance reserves	4,297	3,774
Accrued liabilities, other	469	452
Long-term debt due within one year	2,576	2,432
Total current liabilities	18,192	16,221
Long-term debt	60,548	48,468
Deferred income taxes	14,968	14,394
Accrued insurance reserves	5,104	4,993
Other liabilities	2,351	1,738
Commitments and contingencies (Notes 14 and 15)		
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; none issued	-	-
Common stock, $.10 par value; 25,000,000 shares authorized; 3,011,629 and 2,965,075 shares issued and outstanding, respectively	301	297
Capital in excess of par value	29,169	27,100
Retained earnings	88,582	80,504
Total shareholders' equity	118,052	107,901
Total liabilities and shareholders' equity	$219,215	193,715

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS - Years ended September 30
(In thousands)

Cash flows from operating activities:	2006	2005	2004
Net income	$ 8,078	7,609	20,740
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	13,510	12,479	12,230
Deferred income taxes	96	(2,421)	4,916
Gain on sale of equipment and real estate	(1,172)	(757)	(24,055)
Tax benefit from stock option exercise	-	443	339
Stock-based compensation	968	-	-
Net changes in operating assets and liabilities:			
Accounts receivable	(30)	(2,608)	(1,791)
Inventory of parts and supplies	(55)	(157)	28
Prepaid expenses and other current assets	(92)	(132)	(138)
Other assets	(1,082)	(1,916)	(883)
Accounts payable and accrued liabilities	2,449	4,677	(994)
Income taxes payable	(622)	(6,157)	6,793
Long-term insurance reserves and other long-term liabilities	724	(525)	(135)
Net cash provided by operating activities	22,772	10,535	17,050
Cash flows from investing activities:			
Purchase of transportation group property and equipment	(19,806)	(11,063)	(4,350)
Purchase of real estate group property and equipment	(20,795)	(17,511)	(17,619)
Cash held in escrow	-	16,553	(14,758)
Proceeds from the sale of real estate held for investment and property and equipment	1,688	1,377	30,600
Net cash used in investing activities	(38,913)	(10,644)	(6,127)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	2,084	7,003	11,213
Net increase (decrease) in revolving debt	12,452	(3,201)	(16,799)
Repayment of long-term debt	(2,312)	(1,803)	(4,874)
Excess tax benefits from exercise of stock options	406	-	-
Exercise of employee stock options	699	877	1,489
Repurchase of Company stock	-	-	(2,510)
Net cash provided by (used in) financing activities	13,329	2,876	(11,481)
Net (decrease) increase in cash and cash equivalents	(2,812)	2,767	(558)
Cash and cash equivalents at beginning of year	2,966	199	757
Cash and cash equivalents at end of year	$ 154	2,966	199
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 3,916	3,272	3,977
Income taxes	$ 5,941	12,472	1,159

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY - Years ended September 30
(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings
Balance at October 1, 2003	2,932,708	$293	$24,614	$54,007
Shares purchased and retired	(77,533)	(7)	(651)	(1,852)
Exercise of stock options	73,900	7	1,821	-
Net income	-	-	-	20,740
Balance at September 30, 2004	2,929,075	293	25,784	72,895
Exercise of stock options	36,000	4	1,316	-
Net income	-	-	-	7,609
Balance at September 30, 2005	2,965,075	297	27,100	80,504
Exercise of stock options	26,454	3	696	-
Excess tax benefits from exercise of stock options	-	-	406	-
Stock option compensation	-	-	525	-
Shares granted to Directors	4,500	-	286	-
Restricted stock awards	15,960	1	(1)	-
Restricted stock forfeitures	(360)	-	-	-
Restricted stock expense	-	-	157	-
Net income	-	-	-	8,078
Balance at September 30, 2006	3,011,629	$301	$29,169	$88,582

See accompanying notes.

NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

1. Accounting Policies.

ORGANIZATION - Patriot Transportation Holding, Inc. (Company) is engaged in the transportation and real estate businesses. The Company's transportation business is conducted through two wholly owned subsidiaries. Florida Rock & Tank Lines, Inc. (Tank Lines) is a Southeastern transportation company concentrating in the hauling by motor carrier of primarily petroleum related bulk liquids and dry bulk commodities. SunBelt Transport, Inc. (SunBelt) serves the flatbed portion of the trucking industry primarily in the Southeastern U.S., hauling primarily construction materials. The Company's real estate group, through subsidiaries, acquires, constructs, leases, operates and manages land and buildings to generate both current cash flows and long-term capital appreciation. The real estate group also owns real estate that is leased under mining royalty agreements or held for investment.

CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid debt instruments with maturities of three months or less at time of purchase to be cash equivalents.

INVENTORY - Inventory of parts and supplies is valued at the lower of cost (first-in, first-out) or market.

TIRES ON EQUIPMENT - The value of tires on tractors and trailers is accounted for as a prepaid expense and amortized over the life of the tires as a function of miles driven.

REVENUE AND EXPENSE RECOGNITION - Transportation revenue, including fuel surcharges, is recognized when the services have been rendered to customers or delivery has occurred, the pricing is fixed or determinable and collectibility is reasonably assured. Transportation expenses are recognized as incurred.

Real estate rental revenue and mining royalties are generally recognized when earned under the leases. Rental income from leases with scheduled increases during their term is recognized on a straight-line basis over the term of the lease. Reimbursements of expenses, when provided in the lease, are recognized in the period that the expenses are incurred.

Sales of real estate are recognized when the collection of the sales price is reasonably assured and when the Company has fulfilled substantially all of its obligations, which are typically as of the closing date.

Sales are recorded net of discounts and provisions for estimated allowances. We estimate allowances on an ongoing basis by considering historical and current trends. We record these costs as a reduction to net revenue. We estimate the net collectibility of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms.

PROPERTY AND EQUIPMENT - Property and equipment is recorded at cost less accumulated depreciation. Provision for depreciation of property, plant and equipment is computed using the straight-line method based on the following estimated useful lives:

Years

Buildings and improvements	7-39
Revenue equipment	7-10
Other equipment	3-10

Depletion of sand and stone deposits is computed on the basis of units of production in relation to estimated reserves.

The Company recorded depreciation and depletion expenses for 2006, 2005 and 2004 of $12,948,000, $12,029,000 and $11,712,000, respectively.

The Company periodically reviews property and equipment and intangible assets for potential impairment. If this review indicated that the carrying amount of the asset might not be recoverable, the Company would estimate the future cash flows expected with regards to the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the assets, the Company would record an impairment loss based on the fair value of the asset. The Company performs an annual impairment test on goodwill.

All direct and indirect costs, including interest and real estate taxes, associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. Included in indirect costs is an estimate of internal costs associated with development and rental of real estate investments.

The cost of routine repairs and maintenance to property and equipment is expensed as incurred.

INSURANCE - The Company has a $250,000 to $500,000 self-insured retention per occurrence in connection with certain of its workers' compensation, automobile liability, and general liability insurance programs ("risk insurance"). The Company is self-insured for its employee health insurance benefits and carries stop loss coverage of $200,000 per covered participant per year. The Company accrues monthly the estimated cost in connection with its portion of its risk and health insurance losses. Claims paid by the Company are charged against the reserve. Additionally, the Company maintains a reserve for incurred but not reported claims based on historical analysis of such claims.

INCOME TAXES - Deferred tax assets and liabilities are recognized based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates. Deferred income taxes result from temporary differences between pre-tax income reported in the financial statements and taxable income.

STOCK BASED COMPENSATION - In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), Share-Based Payments ("SFAS No. 123(R)"), revising SFAS No. 123, Accounting for Stock Based Compensation; superseding Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees and its related implementation guidance; and amending SFAS No. 95, Statement of Cash Flows. SFAS No. 123(R) requires companies to recognize the grant date fair value of stock options and other equity-based compensation issued to employees in its income statement. We adopted this statement effective October 1, 2005. Our adoption of SFAS No. 123(R) impacted our results of operations by increasing salaries, wages, and related expenses, increasing additional paid-in capital, and increasing deferred income taxes. See Footnote 8 for current year impact to the Company.

EARNINGS PER COMMON SHARE - Basic earnings per common share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per common share are based on the weighted average number of common shares and potential dilution of securities that could share in earnings. The only difference between basic and diluted shares used for the calculation is the effect of employee and director stock options and restricted stock.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United State requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENVIRONMENTAL - Environmental expenditures that benefit future periods are capitalized. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Estimation of such liabilities includes an assessment of engineering estimates, continually evolving governmental laws and standards, and potential involvement of other potentially responsible parties.

NEW ACCOUNTING PRONOUNCEMENTS – In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47*, Accounting for Conditional Asset Retirement Obligations (FIN 47)* which clarifies that the term “conditional asset retirement obligation” as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations (SFAS 143)*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditioned on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. All underground storage tanks were considered to have indeterminable lives when the Company adopted SFAS 143. The Company was required to adopt FIN 47 in fiscal 2006 and has recorded an estimated liability of $120,000 and a corresponding increase to the carrying value of the related long-lived assets of $120,000 for the future cost of removal of the underground storage tanks in accordance with the provisions of SFAS No. 143 and will recognize the cost over the tank’s estimated useful life. The cumulative effect of this accounting change resulted in a one-time pretax charge of $112,000 ($68,000 net of deferred tax benefit). This represents $.02 for both diluted and basic earnings per common share. The Company will depreciate the balance of $8,000 over the remaining estimated life of the tanks. The $112,000 cost of this accounting change was included in cost of operations.

In May 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections (“SFAS 154”). This Statement requires retrospective application for voluntary changes in accounting principles unless it is impracticable to do so. SFAS 154’s retrospective application requirement replaces APB Opinion No. 20’s, Accounting Changes, requirement to recognize most voluntary changes in accounting principle by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of Statement 154 to have a material impact on our financial statements.

In July 2006, the FASB issued Interpretation No. 48 (FIN 48) “Accounting for Uncertainty in Income Taxes” which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The accounting provisions of FIN 48 will be effective for the Company beginning October 1, 2007. The Company is in the process of determining the effect, if any, the adoption of FIN 48 will have on its financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurement (SFAS 157).* The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management believes that the adoption of SFAS 157 will only require additional disclosure on the fair value of its goodwill, asset retirement obligations, and long-term mortgages and as such will not have a material impact on the consolidated financial results of the Company.

In September 2006, the FASB issued Statement No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158)*. The statement requires employers to recognize on their balance sheets the funded status of pension and other postretirement benefit plans. In addition, employers will recognize actuarial gains and losses, prior service cost and unrecognized transition amounts as a component of accumulated other comprehensive income. Furthermore, SFAS 158 will also require fiscal year end measurements of plan assets and benefit obligations, eliminating the use of earlier measurement dates currently permissible. The disclosure requirements for SFAS 158 are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the fiscal year end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company is currently evaluating the impact of SFAS 158, but the adoption of SFAS 158 is not expected to have a material effect on the Company’s consolidated financial statements.

In September 2006, the Securities and Exchange Commission’s Office (SEC) announced Staff Accounting Bulletin No. 108 (SAB 108). SAB 108 addresses how to quantify financial statement errors that arose in prior periods for purposes of assessing their materiality in the current period. It requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality. It clarifies that immaterial financial statement errors in a prior SEC filing can be corrected in subsequent filings without the need to amend the prior filing. In addition, SAB 108 provides transitional relief for correcting errors that would have been considered immaterial before its issuance. The Company is in the process of determining the effect, if any, the adoption of SAB 108 will have on its financial statements.

RECLASSIFICATIONS – Certain reclassifications have been made to 2005 and 2004 financials to conform to the presentation adopted in 2006.

2. Transactions with Related Parties.

As of September 30, 2006, four of the Company’s directors were also directors of Florida Rock Industries, Inc. ("FRI"). Such directors own approximately 25.6% of the stock of FRI and 45.9% of the stock of the Company. Accordingly, FRI and the Company are considered related parties.

The Company, through its transportation subsidiaries, hauls commodities by tank and flatbed trucks for FRI. Charges for these services are based on prevailing market prices. The real estate subsidiaries lease certain construction aggregates mining and other properties to FRI.

A summary of revenues derived from FRI follows (in thousands):

	2006	2005	2004
Transportation	$ 1,976	1,217	1,711
Real estate	6,345	5,511	5,912
	$ 8,321	6,728	7,623

Included in the 2004 revenues are $498,000 of Real Estate revenues derived from FRI that have been reclassified to discontinued operations on the Consolidated Statements of Income.

The Company outsources certain functions to FRI, including some administrative, and property management. Charges for services provided by FRI were $191,000 in 2006, $174,000 in 2005, and $372,000 in 2004.

During 2004, the Company closed on previously announced agreements to sell several tracts of land to FRI as follows:

Lake City, Florida. On March 30, 2004, a subsidiary sold a parcel of land and improvements containing approximately 6,321 acres in Suwannee and Columbia Counties, near Lake City, Florida to a subsidiary of FRI for $13,000,000 in cash, resulting in a gain of $5,574,000 after income taxes of $3,546,000. The sales price was approved by the Company's Audit Committee after considering among other factors, an independent appraisal, and the current use of the property and consultation with management.

Springfield, Virginia. On May 7, 2004 a subsidiary of the Company sold 108 acres of land located in the northwest quadrant of I-395 and I-495 at Edsall Road in Springfield, Virginia to FRI for $15,000,000 in cash resulting in a gain of $7,895,000, after income taxes of $5,023,000. The sales price was approved by a committee of independent directors of the Company after review of a development feasibility study and other materials, consultation with management and advice of independent counsel.

Miami, Florida. Also on May 7, 2004, a subsidiary of the Company sold a 935 acre parcel of property in Miami, Florida to FRI for $1,628,000 in cash, resulting in a gain of $987,000, after income taxes of $627,000. The property is principally composed of mined-out lakes, mitigation areas, 145 acres of mineable land and 32 acres of roads and railroad track rights-of-way. The terms of the sale were approved by the Company's Audit Committee after considering, among other factors, the terms of the existing lease agreement and consultation with management.

See Note 3 for further information regarding the accounting for the sales of these properties as discontinued operations.

On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Florida Rock Industries, Inc. (FRI) to form Brooksville Quarry, LLC, a real estate joint venture to develop approximately 4,400 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in approximately 3,500 acres that it leased to FRI under a long-term mining lease. FRI will continue to mine the property and pay royalties for the benefit of FRP for as long as mining does not interfere with the development of the property.

FRP also reimbursed FRI approximately $3 million for one-half of the acquisition costs of a 288-acre contiguous parcel recently acquired by FRI from a third party. The 288-acre parcel was contributed to the Joint Venture.

FRI contributed 553 acres that it owns as well as its leasehold interest in the 3,500 acres that it leased from FRP. The joint venture will be jointly controlled by FRI and FRP, and they will each have a mandatory obligation to fund additional capital contributions of up to $2 million. Distributions will be made on a 50-50 basis.

The property does not yet have the necessary entitlements for real estate development. Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and the outcome is inherently uncertain. The Company currently expects that the entitlement process may take several years to complete.

In connection with the Joint Venture, the independent directors of the Company also approved certain extensions of lease agreements between FRP and FRI on FRI's corporate headquarters in Jacksonville, Florida, the Astatula and Marion Sand mining properties, also in Florida. The Company and FRI also agreed that a 2,500 acre tract of the Grandin mining property, in Florida, due to be released will remain subject to the lease and available for future mining.

3. Discontinued Operations.

As discussed in Note 2, during the fiscal year ended September 30, 2004, the Company sold several tracts of land, which were accounted for as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). Fiscal 2004 has been restated accordingly. A summary of discontinued operations is as follows (in thousands):

	2004
Royalty and rental income	$ 498
Operating expenses	190
Income before income taxes	308
Income taxes	(120)
Income from discontinued operations	$ 188
Gain from sale of discontinued properties	$23,652
Income taxes	(9,196)
Net gain from sale of discontinued properties	$14,456

4. Debt.

Debt at September 30 is summarized as follows (in thousands):

	2006	2005
Revolving credit (uncollateralized)	$12,452	-

Construction loan	-	9,716
5.7% to 8.6% mortgage notes,		
due in installments through 2020	50,672	41,184
	63,124	50,900
Less portion due within one year	2,576	2,432
	$60,548	48,468

The aggregate amount of principal payments, excluding the revolving credit, due subsequent to September 30, 2006 is: 2007 - $2,576,000; 2008 - $2,761,000; 2009 – $2,959,000; 2010 - $3,172,000; 2011 - $3,400,000; 2012 and subsequent years - $35,804,000.

The Company has a $37,000,000 uncollaterized Revolving Credit Agreement with four banks, which is scheduled to terminate on December 31, 2009. The Revolver bears interest at a rate of 1% over the selected LIBOR, which may change quarterly based on the Company's ratio of Consolidated Total Debt to Consolidated Total Capital, as defined. A commitment fee of 0.15% per annum is payable quarterly on the unused portion of the commitment. The commitment fee may also change quarterly based upon the ratio described above. The Revolver contains restrictive covenants including limitations on paying cash dividends. Under these restrictions, as of September 30, 2006, $24,260,000 of consolidated retained earnings would be available for payment of dividends. The Company is in compliance with all restrictive covenants as of September 30, 2006.

During fiscal 2006 the Company converted a construction loan into a 15-year non-recourse mortgage of $11,800,000 with an interest rate of 6.12%. The construction loan was used to develop a 145,000 square foot build-to-suit warehouse/office building pursuant to a 15-year triple net lease.

The non-recourse fully amortizing mortgage notes payable are collateralized by real estate having a carrying value of approximately $56,933,000 at September 30, 2006.

Certain properties having a carrying value at September 30, 2006 of $103,000 are encumbered by $1,300,000 of industrial revenue bonds that are the liability of FRI. FRI has agreed to pay such debt when due (or sooner if FRI cancels its lease of such property) and further has agreed to indemnify and hold harmless the Company.

During fiscal 2006, 2005 and 2004 the Company capitalized interest costs of $219,000, $305,000 and $10,000, respectively.

The Company had $18,887,000 of irrevocable letters of credit outstanding at September 30, 2006. Most of the letters of credit are irrevocable for a period of one year and are automatically extended for additional one-year periods unless notified by the issuing bank not less than thirty days before the expiration date. Substantially all of these were issued for workers' compensation and liability insurance retentions.

5. Leases.

At September 30, 2006, the total carrying value of property owned by the Company which is leased or held for lease to others is summarized as follows (in thousands):

Construction aggregates property	$ 31,277
Commercial property	152,133
	183,410
Less accumulated depreciation and depletion	33,557
	$149,853

The minimum future straight-lined rentals due the Company on noncancelable leases as of September 30, 2006 are as follows: 2007 - $13,808,000; 2008 - $12,512,000; 2009 - $10,869,000; 2010 - $9,256,000; 2011 - $7,494,000; 2012 and subsequent years $40,401,000.

6. Preferred Shareholder Rights Plan.

On May 5, 1999, the Board of Directors of the Company declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock. The dividend was payable on June 2, 1999. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company, par value $.01 per share (the "Preferred Shares"), at a price of $96 per one one-hundredth of a Preferred Share, subject to adjustment.

In the event that any Person or group of affiliated or associated Persons (an "Acquiring Person") acquires beneficial ownership of 15% or more of the Company's outstanding common stock, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of Common Shares having a market value of two times the exercise price of the Right. An Acquiring Person excludes any Person or group of affiliated or associated Persons who were beneficial owners, individually or collectively, of 15% or more of the Company's Common Shares on May 4, 1999.

The Rights initially trade together with the Company's common stock and are not exercisable. However, if an Acquiring Person acquires 15% or more of the Company's common stock, the Rights may become exercisable and trade separately in the absence of future board action. The Board of Directors may, at its option, redeem all Rights for $.01 per right, at any time prior to the Rights becoming exercisable. The Rights will expire September 30, 2009 unless earlier redeemed, exchanged or amended by the Board.

7. Earnings Per Share.

The following details the computations of the basic and diluted earnings per common share. (Dollars in thousands, except per share amounts.)

	Years Ended September 30		
	2006	2005	2004
Common shares:			
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	2,980	2,950	2,931
Common shares issuable under share based payment plans which are potentially dilutive	107	89	45
Common shares used for diluted earnings per common share	3,087	3,039	2,976
Income from continuing operations	$ 8,078	7,609	6,096
Discontinued operations	-	-	14,644
Net income	$ 8,078	7,609	20,740

Basic earnings per common share:			
Income from continuing operations	$2.71	2.58	2.08
Discontinued operations	-	-	5.00
Net income	$2.71	2.58	7.08
Diluted earnings per common share:			
Income from continuing operations	$2.62	2.50	2.05
Discontinued operations	-	-	4.92
Net income	$2.62	2.50	6.97

For 2006, 2005 and 2004, all outstanding stock options were included in the calculation of diluted earnings per share because the exercise prices of the stock options were lower than the average price of the common shares, and therefore were dilutive. In 2006, all outstanding restricted stock was included in the calculation of diluted earnings per share.

8. Stock-Based Compensation Plans.

Effective October 1, 2005, the Company adopted SFAS 123R "Share-Based Payment" for its stock-based employee compensation plans. Under SFAS 123R, compensation expense must be measured and recognized for all share-based payments based on the fair value of the award at the grant date and such costs must be included in the statement of operations over the requisite service period. Prior to October 1, 2005 the company followed APB Opinion No. 25, "Accounting for Stock Issued to Employees".

The Company has elected the modified prospective application transition method whereby the provisions of the statement will apply going forward only from the date of adoption to new share based payments, and for the portion of any previously issued and outstanding stock option awards for which the requisite service is rendered after the date of adoption. The Company did not restate prior years for pro forma expense amounts. In addition, compensation expense must be recognized for any awards modified, repurchased or cancelled after the date of adoption. The straight-line attribution model is used to measure compensation expense.

Prior to February 2006, the Company had two Stock Option Plans (the 1995 Stock Option Plan and the 2000 Stock Option Plan) under which options for shares of common stock were granted to directors, officers and key employees. The options awarded under the two plans have similar characteristics. All stock options are non-qualified and expire ten years from the date of grant. Options awarded to directors are exercisable immediately and options awarded to officers and employees become exercisable in cumulative installments of 20% at the end of each year following the date of grant. When stock options are exercised the Company issues new shares after receipt of exercise proceeds and taxes due, if any, from the grantee.

In February 2006, the Shareholders approved the 2006 Stock Incentive Plan which replaced the 2000 Stock Option Plan. The 2006 plan permits the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, or stock awards. In February 2006, 15,960 shares of restricted stock were granted subject to forfeiture restrictions, tied to continued employment, that lapse 25% annually beginning on January 1, 2007. The number of common shares available for future issuance was 279,900 at September 30, 2006.

The Company utilized the Black-Scholes valuation model for estimating fair value of stock compensation for options awarded to officers and employees in prior periods. Each grant was evaluated based upon assumptions at the time of grant. The assumptions were no dividend yield, expected volatility between 41% and 53%, risk-free interest rate of 3.2% to 4.9% and expected life of 6.2 to 7.0 years.

The dividend yield of zero is based on the fact that the Company does not pay cash dividends and has no present intention to pay cash dividends. Expected volatility was estimated based on the Company's historical experience over a period equivalent to the expected life in years. The risk-free interest rate was based on the U.S. Treasury constant maturity interest rate at the date of grant with a term consistent with the expected life of the options granted. The expected life calculation was based on the observed and expected time to exercise options by the employees.

Under provisions of SFAS 123R, the Company recorded $968,000 of stock compensation expense in its consolidated statement of income for fiscal 2006. This consisted of $525,000 for stock options issued in prior years, $286,000 for an annual stock award to non-employee directors, and $157,000 for restricted stock awards granted in fiscal 2006. Stock compensation expense was $590,000 net of deferred income tax benefits. This represents $.20 for basic earnings per common share and $.19 for diluted earnings per common share.

SFAS 123R also amends FASB Statement No. 95, Statement of Cash Flows, to require that the benefits associated with the tax deduction in excess of recognized compensation cost be reported as financing cash flows, rather than as a reduction of taxes paid. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. Financing cash flows for fiscal 2006 included $406,000 of excess tax benefits from the exercise of stock options.

A summary of changes in outstanding options is presented below (in thousands, except per share amounts):

Options	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (yrs)	Weighted Average Grant Date Fair Value
Outstanding at September 30, 2003	299,500	$21.85		
Granted	51,000	$31.20		
Exercised	(73,900)	$20.15		
Forfeited	(9,400)	$22.23		
Outstanding at September 30, 2004	267,200	$23.99		
Granted	116,000	$44.38		
Exercised	(36,000)	$24.38		
Forfeited	(9,300)	$32.52		
Outstanding at October 1, 2005	337,900	$30.72	7.8	
Granted	0	$ 0		$ 0
Exercised	(26,454)	$26.41		$ 359
Forfeited	(6,700)	$33.53		
Outstanding at				

September 30, 2006	304,746	$31.03	6.9	$ 4,760
Exerciseable at September 30, 2006	201,546	$29.76	6.6	$ 3,086
Vested during Twelve months ended September 30, 2006	39,000			$ 579

The aggregate intrinsic value of exercisable in-the-money options was $9,230,000 and the aggregate intrinsic value of all outstanding options was $13,503,000 based on the market closing price of $75.56 on September 30, 2006 less exercise prices. Gains of $1,404,000 were realized by option holders during the twelve months ended September 30, 2006. The realized tax benefit from options exercised for the twelve months ended September 30, 2006 was $528,000. Total compensation cost of options granted but not yet vested as of September 30, 2006 was $1,161,000, which is expected to be recognized over a weighted-average period of 2.2 years.

A summary of changes in restricted stock awards is presented below (in thousands, except per share amounts):

Restricted Stock	Number Of Shares	Weighted Average Grant Price	Weighted Average Remaining Term (yrs)	Weighted Average Grant Date Fair Value
Outstanding at October 1, 2005	0			
Granted	15,960	$63.64		$ 1,016
Vested	0			$ 0
Forfeited	(360)	$63.54		
Outstanding at September 30, 2006	15,600	$63.64	3.3	$ 993

Total compensation cost of restricted stock granted but not yet vested as of September 30, 2006 was $706,000 which is expected to be recognized over a weighted-average period of 3.3 years.

SFAS 123R requires the presentation of pro forma information for the comparative periods prior to its adoption as if all employee stock options had been accounted for under the fair value method of the original SFAS 123, “Accounting for Stock-Based Compensation.” The following table illustrates the effect on net income and earnings per common share if SFAS 123 had been applied to stock-based employee compensation to the prior-year periods (in thousands, except per share amounts):

	2005	2004
Net income:		
As reported	$7,609	20,740
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax effects	905	626
Pro forma	$6,704	20,114
Basic earnings per common share		
As reported	$2.58	7.08
Pro forma	$2.27	6.86

Diluted earnings per common share		
As reported	$2.50	6.97
Pro forma	$2.21	6.76

The following table summarizes information concerning stock options outstanding at September 30, 2006:

Range of Exercise Prices per Share	Shares under Option	Weighted Average Exercise Price	Weighted Average Remaining Life
Non-exercisable:			
$22.23 - $43.50	103,200	$33.50	7.3 years
Exercisable:			
$15.13 - $22.66	77,396	19.92	5.4
$23.77 - $34.00	81,900	29.68	6.9
$43.50 - $60.40	42,250	47.94	8.4
	201,546	$29.76	6.6 years
Total	304,746	$31.03	6.9 years

9. Income Taxes.

The provision for income taxes for continuing operations for fiscal years ended September 30 consists of the following (in thousands):

	2006	2005	2004
Current:			
Federal	$4,234	5,540	2,720
State	841	1,217	445
	5,075	6,757	3,165
Deferred	96	(2,421)	714
Total	$5,171	4,336	3,879

A reconciliation between the amount of tax shown above and the amount computed at the statutory Federal income tax rate follows (in thousands):

	2006	2005	2004
Amount computed at statutory Federal rate	$4,528	4,061	3,491
State income taxes (net of Federal income tax benefit)	553	441	362
Other, net	90	(166)	26
Provision for income taxes	$5,171	4,336	3,879

The types of temporary differences and their related tax effects that give rise to deferred tax assets and deferred tax liabilities at September 30, are presented below:

	2006	2005
Deferred tax liabilities:		
Property and equipment	$16,279	15,614
Depletion	617	604
Unrealized rents	845	611
Prepaid expenses	1,334	1,206
Gross deferred tax liabilities	19,075	18,035
Deferred tax assets:		
Insurance reserves	3,343	3,083
Employee benefits and other	1,634	950
Gross deferred tax assets	4,977	4,033

Net deferred tax liability	$14,098	14,002

The accrued liability for uncertain tax positions as of September 30, 2006 and 2005 was $839,000 and $1,180,000 respectively. During Fiscal 2006 the accrued liability was reduced $341,000 due to the expiration of the statutes of limitations on certain positions.

10. Employee Benefits.

The Company and certain subsidiaries have a savings/profit sharing plan for the benefit of qualified employees. The savings feature of the plan incorporates the provisions of Section 401(k) of the Internal Revenue Code under which an eligible employee may elect to save a portion (within limits) of their compensation on a tax deferred basis. The Company contributes to a participant’s account an amount equal to 50% (with certain limits) of the participant’s contribution. Additionally, the Company may make an annual contribution to the plan as determined by the Board of Directors, with certain limitations. The plan provides for deferred vesting with benefits payable upon retirement or earlier termination of employment. The Company’s cost was $698,000 in 2006, $694,000 in 2005 and $649,000 in 2004.

The Company has a management security plan for certain officers and key employees. The accruals for future benefits are based upon the remaining years to retirement of the participating employees and other actuarial assumptions. Life insurance on the lives of the participants has been purchased to partially fund this benefit and the Company is the owner and beneficiary of such policies. The expense for fiscal 2006, 2005 and 2004 was $347,000, $192,000 and $87,000, respectively. The accrued benefit under this plan as of September 30, 2006 and 2005 was $1,751,000 and $1,461,000 respectively.

The Company provides certain health benefits for retired employees. Employees may become eligible for those benefits if they were employed by the Company prior to December 10, 1992, meet the service requirements and reach retirement age while working for the Company. The plan is contributory and unfunded. The Company accrues the estimated cost of retiree health benefits over the years that the employees render service.

The accrued postretirement benefit obligation for this plan as of September 30, 2006 and 2005 was $503,000 and $536,000, respectively. The net periodic postretirement benefit cost was $27,000, $10,000 and $2,000 for fiscal 2006, 2005, and 2004, respectively. The discount rate used in determining the Net Periodic Postretirement Benefit Cost was 5.0% for 2006, 6.0% for 2005 and 5.75% for 2004. The discount rate used in determining the Accumulated Postretirement Benefit Obligation (APBO) was 6.0% for 2006, 5.0% for 2005 and 6.0% for 2004. No medical trend is applicable because the Company’s share of the cost is frozen.

11. Business Segments.

The Company has identified two business segments, each of which is managed separately along product lines. The Company’s operations are substantially in the Southeastern and Mid-Atlantic states.

The transportation segment hauls primarily petroleum related bulk liquids, dry bulk commodities and construction materials by motor carrier. The real estate segment owns real estate of which a substantial portion is under mining royalty agreements or leased. The real estate segment also holds certain other real estate for investment and is developing commercial and industrial properties.

Operating results and certain other financial data for the Company's business segments are as follows (in thousands):

	2006	2005	2004
Revenues:			
Transportation	$126,252	112,824	99,424
Real estate	21,122	18,212	16,365
	$147,374	131,036	115,789
Operating profit:			
Transportation	$ 8,875	6,587	5,625
Real estate	11,633	10,253	9,269
Corporate expenses	(3,453)	(1,649)	(1,464)
	$ 17,055	15,191	13,430
Capital expenditures:			
Transportation	$ 19,806	11,063	4,350
Real estate	20,795	17,511	17,619
	$ 40,601	28,574	21,969
Depreciation, depletion and amortization:			
Transportation	$ 8,769	8,166	8,200
Real estate	4,506	4,086	3,782
Other	235	227	248
	$ 13,510	12,479	12,230
Identifiable assets at September 30:			
Transportation	$ 57,715	47,435	42,479
Real estate	159,134	141,646	126,457
Cash	154	2,966	16,752
Unallocated corporate assets	2,212	1,668	1,133
	$219,215	193,715	186,821

12. Accrued Vacation Liability.

In prior years, the Company did not accrue for compensated absences as a determination had been made that the accrual was not material to the Company's financial statements. The Company expensed payments of vacation pay to hourly and salaried employees when paid.

During the third quarter of fiscal 2006, the Company reevaluated the materiality of such accrual and recorded a liability of $1,055,000 to reflect the Company's obligation for vacation pay. As of September 30, 2006 the liability was $1,277,000 which included $173,000 related to a fourth quarter change in estimate regarding forfeiture rates of unvested vacation. Under generally accepted accounting principles, compensated absences must be accrued for both hourly and salaried employees. Under FAS No. 43 "Accounting for Compensated Absences," the accrual must consist of the vested liability as well as the portion of the unvested liability that is deemed to be earned. The Company's policy does not permit vacation to be rolled over from year to year for salaried employees but permits hourly employees to rollover a maximum of five days. The impact on the balance sheet of recording this liability was to increase payroll liability by $1,277,000, to increase the current portion of deferred tax benefits by $490,000 and to reduce shareholder's equity by $787,000. These entries did not affect net cash provided by operations. The impact on the income statement was to increase transportation cost of operations by $940,000, real estate cost of operations by $68,000, increase selling, general and administrative expense by $269,000, decrease the provision for income taxes by $490,000 and to reduce the net income for 2006 by $787,000.

13. Fair Values of Financial Instruments.

At September 30, 2006 and 2005, the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, short-term notes payable and revolving credit approximate their fair value based upon the short-term nature of these items. The fair values of the Company’s other long-term debt were estimated based on current rates available to the Company for debt of the same remaining maturities. At September 30, 2006, the carrying amount and fair value of such other long-term debt was $50,672,000 and $51,895,000, respectively. At September 30, 2005, the carrying amount and fair value of other long-term debt was $50,900,000 and $52,976,000, respectively.

14. Contingent Liabilities.

Certain of the Company’s subsidiaries are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business. The Company has retained certain self-insurance risks with respect to losses for third party liability and property damage. In the opinion of management none of these matters are expected to have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows.

15. Commitments.

The Company, at September 30, 2006, had entered into various contracts to develop real estate with remaining commitments totaling $2,824,000, and to purchase transportation equipment for approximately $5,364,000.

16. Customer Concentration.

The transportation segment primarily serves customers in the petroleum and building and construction industries. Petroleum customers accounted for approximately 66% and building and construction customers accounted for approximately 34% of transportation segment revenues for the year ended September 30, 2006.

During fiscal 2006, the transportation segment’s ten largest customers accounted for approximately 47.3% of the transportation segment’s revenue. One of these customers accounted for 11.6% of the transportation segment’s revenue. The loss of any one of these customers would have an adverse effect on the Company’s revenues and income.

17. Subsequent Event.

On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Florida Rock Industries, Inc. (FRI). See Note 2 to the Consolidated Financial Statements for further details.

Management's Report on Internal Control Over Financial Reporting

The management of Patriot is responsible for establishing and maintaining adequate internal control over financial reporting. Patriot's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with U.S.

generally accepted accounting principles. All internal controls systems, no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Patriot's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2006 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of September 30, 2006, the Company's internal control over financial reporting is effective. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2006 has been audited by Hancock Askew & Co., LLP, the Company's independent registered certified public accounting firm, as stated in their report, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of September 30, 2006.

Report of Independent Registered Certified Public Accounting Firm

The Stockholders and Board of Directors
Patriot Transportation Holding, Inc.

We have audited the accompanying consolidated balance sheet of Patriot Transportation Holding, Inc. as of September 30, 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Patriot Transportation Holding, Inc. as of September 30, 2006, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. As discussed in Note 8 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-based Payment, effective October 1, 2005 for accounting for share-based payments.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Patriot Transportation Holding, Inc.'s internal control over financial reporting as of September 30, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 1, 2006 expressed an unqualified opinion on management's assessment of internal control over financial reporting and an unqualified opinion on the effectiveness of internal control over financial reporting.

Hancock Askew & Co., LLP

December 1, 2006
Savannah, Georgia

Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Stockholders
Patriot Transportation Holding, Inc.

We have audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting, that Patriot Transportation Holding, Inc. maintained effective internal control over financial reporting as of September 30, 2006, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Patriot Transportation Holding, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Patriot Transportation Holding, Inc. maintained effective internal control over financial reporting as of September 30, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, Patriot Transportation Holding, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2006, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet and the related consolidated statements of operations, stockholders' equity, comprehensive income, and cash flows of Patriot Transportation Holding, Inc., as of September 30, 2006 and for the year then ended and our report dated December 1, 2006 expressed an unqualified opinion.

Hancock Askew & Co., LLP

December 1, 2006
Savannah, Georgia

Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders of
Patriot Transportation Holding, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Patriot Transportation Holding, Inc. and its subsidiaries at September 30, 2005 and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

December 22, 2005
Jacksonville, Florida

DIRECTORS AND OFFICERS

Directors

John E. Anderson (1)
President and Chief Executive
Officer of the Company

Edward L. Baker (1)
Chairman of the Board of the Company
and of Florida Rock Industries, Inc.

John D. Baker II (1)
President and Chief Executive
Officer of Florida Rock Industries, Inc.

Thompson S. Baker II
Vice President of
Florida Rock Industries, Inc.

Charles E. Commander III (2)(4)
Partner, Jacksonville office
Foley & Lardner

Luke E. Fichthorn III
Private Investment Banker,
Twain Associates and Chairman of the
Board and Chief Executive Officer of
Bairnco Corporation

Robert H. Paul III (2)(3)(4)
Chairman of the Board of
Southeast-Atlantic Beverage Corporation

H. W. Shad III (2)
Management Consulting and Business Valuations
Mike Shad, P.L.

Martin E. Stein, Jr. (3)(4)
Chairman and Chief Executive Officer of
Regency Centers Corporation

James H. Winston (3)
President of LPMC of Jax, Inc.,
Omega Insurance Company and Citadel
Life & Health Insurance Co.

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(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Member of the Nominating Committee

Officers

Edward L. Baker
Chairman of the Board

John E. Anderson
President and Chief Executive Officer

David H. deVilliers, Jr.
Vice President
President, FRP Development Corp. and
Florida Rock Properties, Inc.

Ray M. Van Landingham
Vice President, Treasurer, Secretary
and Chief Financial Officer

John D. Klopfenstein
Controller and Chief Accounting Officer

Terry S. Phipps
President, SunBelt Transport, Inc.

Robert E. Sandlin
President, Florida Rock & Tank Lines, Inc.

Patriot Transportation Holding, Inc.

1801 Art Museum Drive, Suite 300
Jacksonville, Florida 32207
Telephone: (904) 396-5733

Annual Meeting

Shareholders are cordially invited to attend the Annual Shareholders Meeting which will be held at 2 p.m. local time, on Wednesday, February 1, 2006, at 155 East 21st Street, Jacksonville, Florida, 32206.

Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
Plaza Level
New York, NY 10038

Telephone: 1-800-937-5449

General Counsel

McGuireWoods LLP
Jacksonville, Florida

Independent Registered Certified Public Accounting Firm

Hancock Askew & Co., LLP
Savannah, Georgia

Common Stock Listed

The Nasdaq Stock Market
(Symbol: PATR)

Form 10-K

Shareholders may receive without charge a copy of Patriot Transportation Holding, Inc.'s annual report on Form 10-K for the fiscal year ended September 30, 2005 as filed with the Securities and Exchange Commission by writing to the Treasurer at 1801 Art Museum Drive, Suite 300, Jacksonville, Florida 32207. The most recent certifications by our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K.

Company Website

The Company's website may be accessed at www.patriottrans.com. All of our filings with the Securities and Exchange Commission can be accessed through our website promptly after filing. This includes annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports filed or furnished on Form 8-K and all related amendments.

CERTIFICATIONS Exhibit 31(a)

I, John E. Anderson, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal annual that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2006

/s/John E. Anderson
President and Chief Executive Officer

CERTIFICATIONS Exhibit 31(b)

I, Ray M. Van Landingham, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal annual that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial report; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 7, 2006

/s/Ray M. Van Landingham
Vice President, Treasurer,
Secretary and Chief Financial Officer

CERTIFICATIONS Exhibit 31(c)

I, John D. Klopfenstein, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal annual that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2006

/s/John D. Klopfenstein
Controller and Chief Accounting Officer

Exhibit 32

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Patriot Transportation Holding, Inc.

PATRIOT TRANSPORTATION HOLDING, INC.

December 7, 2006

JOHN E. ANDERSON

John E. Anderson
President and Chief Executive Officer

RAY M. VAN LANDINGHAM

Ray M. Van Landingham
Vice President, Treasurer, Secretary
and Chief Financial Officer

JOHN D. KLOPFENSTEIN

John D. Klopfenstein
Controller and Chief
Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Patriot Transportation Holding, Inc. and will be retained by Patriot Transportation Holding, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification accompanies the issuer’s Annual Report on Form 10-K and is not filed as provided in SEC Release Nos. 33-8212, 34-4751 and IC-25967, dated June 30, 2003.