

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

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2007

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

State or other jurisdiction of
incorporation or organization

59-2924957
(I.R.S. Employer
Identification No.)

1801 Art Museum Drive, Jacksonville, Florida
(Address of principal executive offices)

32207
(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 ☒

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 ☒

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 ☒ 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 ☒ 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 ☒

The number of shares of the registrant's stock outstanding as of November 30, 2007 was 3,051,064. The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant as of March 31, 2007, the last day of business of our most recently completed second fiscal quarter, was \$114,238,591. 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. 2007 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, 2007 are incorporated by reference in Part III.

Preliminary Note Regarding 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 those 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 others 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: freight demand for petroleum products including recessionary and terrorist impacts on travel in the Company's markets; levels of construction activity in the markets served by our mining properties and our flatbed trucking subsidiary; fuel costs; accident severity and frequency; risk insurance markets; driver availability and cost; the impact of future regulations regarding the transportation industry; availability and terms of financing; competition; interest rates, inflation and general economic conditions; demand for flexible warehouse/office facilities in the Baltimore/Washington area; and ability to obtain zoning and entitlements necessary for property development ;. 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 other filings made from time to time with the Securities and Exchange Commission.

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.

Our transportation business is conducted through two wholly owned subsidiaries, Florida Rock & Tank Lines, Inc. ("Tank Lines"), and SunBelt Transport, Inc. ("SunBelt"), both of which operate in the Southeastern United States. Tank Lines hauls petroleum and other bulk liquids and dry bulk commodities by tank trailers. SunBelt serves the flatbed portion of the trucking industry, 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 mining properties and other properties held for investment or future development. 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 our trucking operations are subject to factors affecting the level of general construction activity. In fiscal 2007, our transportation revenues were adversely affected by the significant decline in residential construction in our markets.

Transportation. The transportation segment primarily serves customers in the petroleum and building and construction industries. Petroleum customers accounted for approximately 68% and building and construction customers accounted for approximately 32% of transportation segment revenues during fiscal 2007.

During fiscal 2007, 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. SunBelt's flatbed fleet is based in Jacksonville and Tampa, Florida; Atlanta and Savannah, Georgia; South Pittsburg, Tennessee; Mobile, Alabama; and Selma, North Carolina.

Tank Lines has from two to six major tank truck competitors in each of its markets. There are at least ten major competitors in SunBelt's market area and numerous small competitors in the various states served. Price, service, and location are the major factors which affect competition in the transportation segment within a given market.

During fiscal 2007, the transportation segment's ten largest customers accounted for approximately 50.7% of the transportation

segment's revenue. One of these customers accounted for 12.3% 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.

During fiscal 2007, the transportation group purchased 63 new tractors and 4 new trailers. The Company accelerated its normal tractor replacement cycle in response to stricter engine emission standards on new trucks that became effective in January 2007. Six of the tractors purchased in fiscal 2007 have the higher cost engines required by the new standards. Florida Rock & Tank Lines, Inc. also purchased 12 used tractors and trailers in July 2007 as part of the acquisition of another transport company's Atlanta Georgia business. The acquisition also included the hiring of drivers and support staff along with assumption of all the customers. Total additional annual revenue from this acquisition is estimated to be \$2.5 million.

Our fiscal 2008 capital budget includes 63 new tractors and 56 new trailers which includes binding commitments to purchase 11 tractors and 20 trailers at September 30, 2007. Maintaining a modern fleet has resulted in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. At September 30, 2007, the Company owned and operated a fleet of 639 tractors and 1,003 trailers.

Real Estate. We own real estate in Florida, Georgia, Virginia, Maryland, Delaware and Washington, D.C. These properties generally fall into one of three categories: (i) land and/or buildings leased under rental agreements or being developed for rental; (ii) construction aggregates properties, substantially all of which are leased to Florida Rock Industries, Inc., (iii) land that is being held for future appreciation or development. Real estate revenues in fiscal 2007 were divided approximately 70% from rentals on developed properties and 30% from mining royalties.

A significant part of our real estate strategy has been to develop high quality, flexible warehouse/office space. Average occupancy for the fiscal year for buildings in service more than 12 months was 97.0%. At September 30, 2007, 93.8% of the total warehouse/office portfolio of approximately 2.5 million square feet was occupied.

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.

Tenants of flexible warehouse/office properties are not concentrated in any one particular industry.

Relationship with Florida Rock Industries, Inc. The Company was spun off from Florida Rock Industries, Inc. ("FRI") in 1988. Nearly all of our mining properties are leased to FRI under long-term mining leases entered into in the 1980s. We lease office space to FRI, and we haul diesel fuel and cement for FRI. We also are a party to a joint venture agreement with FRI to develop

approximately 4,300 acres of property located near Brooksville, Florida. We have outsourced some administrative services to FRI.

FRI accounted for approximately 27% of the our real estate revenues and 1.7% of our transportation revenues for fiscal 2007. On a consolidated basis, FRI accounted for 5.4% of our fiscal 2007 revenues.

FRI was acquired by Vulcan Materials Company on November 16, 2007. We do not expect that this event will have a material adverse effect on our business.

Segment Information. The Company has two business segments: transportation and real estate. Industry segment information is presented in Notes 2 and 10 to the consolidated financial statements included in the accompanying 2007 Annual Report to Shareholders and is incorporated herein by reference.

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 became effective for all newly manufactured trucks. The engines produced under the 2007 standards have a higher cost than the previous engines. The Company's mining leases contain a provision making the lessee responsible for reclamation of mining sites at least to the extent required by law.

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

Employees. The Company employed 990 people in its transportation group, 24 people in its real estate group and 5 people in its corporate offices at September 30, 2007.

Company Website. The Company's website may be accessed at www.patriotttrans.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

<u>Name</u>	<u>Age</u>	<u>Office</u>	<u>Position Since</u>
Edward L. Baker	72	Chairman of the Board	May 3, 1989
John E. Anderson	62	President & Chief Executive Officer	Feb. 17, 1989
David H. deVilliers, Jr.	56	Vice President of the Company and President of the Company's Real Estate Group	Feb. 28, 1994
Ray M. VanLandingham	64	Vice President, Treasurer, Secretary and Chief Financial Officer	Dec. 6, 2000
John D. Klopfenstein	44	Controller and Chief Accounting Officer	Feb. 16, 2005
Terry S. Phipps	43	President of SunBelt Transport, Inc.	April 5, 2004
Robert E. Sandlin	46	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.

On December 5, 2007, John E. Anderson, age 62, announced his retirement as the Company's President and Chief Executive Officer effective February 6, 2008. Mr. Anderson will continue to serve on the Company's Board of Directors. On December 5, 2007, the Company's Board of Directors appointed John D. Baker II to succeed Mr. Anderson as President and Chief Executive Officer. Mr. Baker, age 59, has served as a director of the Company since 1986.

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.

Certain shareholders have effective control of nearly a majority of our common stock and likely will control the outcome of any shareholder vote.

As of November 30, 2007, three of our directors, Edward L. Baker, John D. Baker II and Thompson S. Baker II, beneficially own approximately 46% 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.

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 consumer demand for the petroleum products hauled by our tank lines subsidiary, adversely impacting revenues. 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. This subsidiary continues to be significantly affected by the decline in residential construction activity in our market. 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 transportation revenue is generated from our major customers. For 2007, our top 10 customers, based on revenue, accounted for approximately 50.7% 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, the failure to comply with applicable laws or regulations could subject us to liabilities, including substantial fines or penalties or civil and criminal liability, that 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 sometimes raise 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, 2007, leases at our properties representing approximately 7% and 19% of the total square footage of our current portfolio were scheduled to expire in fiscal 2008 and fiscal 2009, respectively.

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

We have ten buildings in our business parks that are single-tenant occupied representing 48% of developed property rentals under long-term leases. We have four 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 incur a non-cash expense for a significant amount of deferred rent revenue generated from the accounting requirement to straight-line rental 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.

A decline in the economic conditions in Baltimore/Washington, D.C. area 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 and may limit the value of these properties.

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 Obligations 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 flows 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 may foreclose on our properties that collateralize 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, 2007, we had outstanding mortgage indebtedness of \$83,934,000, secured by developed real estate properties having a carrying value of \$88,514,000.

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

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

- restricts our ability to incur certain additional indebtedness;
- restricts our ability to make certain investments;
- restricts our ability to merge with another company;
- restricts our ability to pay dividends;
- requires us to maintain financial coverage ratios; and
- requires us to not encumber certain assets except as 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.

As a developer of flexible warehouse/office space, 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 higher 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, 2007 certain developed real estate properties having a carrying value of \$88,514,000 were pledged on long-term non-recourse notes with an outstanding principal balance totaling \$83,934,000. In addition, certain other properties having a carrying value at September 30, 2007 of \$98,000 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, 2007, 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 that are 92% occupied. Following occupancy by an additional 22,410 square foot tenant in October 2007 this park is 97% occupied. Construction of the final building with 66,398 square feet of office space was started in October 2007.

2) Lakeside Business Park in Harford County, Maryland consists of 84 usable acres. Eight warehouse/office buildings, totaling 745,741 square feet, have been constructed. Of the eight existing buildings, seven are 100% leased/occupied and the eighth, completed in September 2007 is 59% leased. Upon occupancy of the 59% tenant in November 2007, this park is now 96% occupied. The remaining 27 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 82% leased.

8) Arundel Business Center in Howard County, Maryland contains approximately 11 acres with 162,796 square feet of warehouse/office space, which is 96% 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 100% leased. The remaining 8.8 acres are available for future development and have the potential to offer an additional 93,600 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, 2007 the Company owned the following future development parcels:

1) Windlass Run, formerly referred to as Bird River, located in southeastern Baltimore County, Maryland, is a 179-acre tract of land that has direct access to Maryland State Road 43, which was completed in October 2006 and connects 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 warehouse/office buildings on the 42 developable acres zoned for commercial use. Land development efforts commenced in the summer of 2007. Construction of the first building began in August 2007. The residential portion of the property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain a Planned Unit Development.

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. A portion of the tract totaling 28.7 acres is subject to taking by the Virginia Department of Transportation for construction of a traffic cloverleaf at the intersection of Prince William Parkway and Balls Ford Road. The Company plans to develop and lease approximately 700,000 square feet of warehouse/office buildings on the residual 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 form Brooksville Quarry, LLC, a real estate joint venture to develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in

approximately 3,443 acres formerly leased to FRI under a long-term mining lease which had a net book value of \$2,548,000. FRI is entitled to mine the property until 2018 and pay royalties for the benefit of FRP for as long as mining does not interfere with the development of the property. Real estate revenues included \$149,000 of such royalties in fiscal 2007 and \$112,000 in fiscal 2006. Allocated depletion expense of \$6,000 was included in real estate cost of operations for fiscal 2007.

FRP also reimbursed FRI \$3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel acquired by FRI in 2006 and contributed by FRI to the joint venture. FRI also contributed 553 acres that it owns as well as its leasehold interest in the 3,443 acres that it leased from FRP. The joint venture is jointly controlled by FRI and FRP, and they each have a mandatory obligation to fund additional capital contributions of up to \$2 million. Capital contributions of \$500,000 were made during fiscal 2007. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to FRP. Other income for fiscal 2007 includes a loss of \$156,000 representing the Company's equity in the loss of the joint venture.

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 March, 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 545,800 square feet of commercial development and up to 569,600 square feet of residential development. Consideration of a proposed action by the Zoning Commission is anticipated at a scheduled public meeting in the first calendar quarter of 2008. 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, 2007, substantially all of which are leased to FRI.

	Tons Sold in Year Ended 9/30/07 <u>(000's)</u>	Tons of Estimated Reserves at 9/30/07 <u>(000's)</u>	<u>Approximate Acres Owned</u>
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.	8,843 (1)	437,188	12,994
The Company owns three locations not currently being mined in Ft. Myers, Marion County, Astatula/Lake County	-	28,766	2,881

(1) Tons sold in year ended 9/30/07 include Brooksville tons of 311,000. 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 13 to the Consolidated Financial Statements included in the accompanying 2007 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 573 holders of record of Patriot Transportation Holding, Inc. common stock, \$.10 par value, as of September 30, 2007. 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 2007 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 3 to the consolidated financial statements included in the accompanying 2007 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

<u>Period</u>	(a) <u>Total Number of Shares Purchased</u>	(b) <u>Average Price Paid per Share</u>	(c) <u>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs</u>	(d) <u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)</u>
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 2007 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 2007 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. The Company prepared a sensitivity analysis of its cash and cash equivalents 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 cash and cash equivalents. 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 cash and cash equivalents would have an immaterial impact on the Company's results of operations and cash flows.

For its debt instruments with variable interest rates, changes in interest rates affect the amount of interest expense incurred. The Company did not have any variable rate debt outstanding at September 30, 2007. The following table provides information about the Company's long-term debt (dollars in thousands):

Liabilities:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>There</u> <u>after</u>	<u>Total</u>	<u>Fair</u> <u>Value</u>
Scheduled maturities of long-term debt:								
Fixed Rate	\$ 3,762	\$4,019	\$4,293	\$4,588	\$4,902	\$62,370	\$83,934	\$82,579
Average interest rate	6.4%	6.4%	6.4%	6.3%	6.3%	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 23 of the Company's 2007 Annual Report to Shareholders. Such information is incorporated herein by reference.

Item 9A. CONTROLS AND PROCEDURES.

CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer, principal financial officer and chief accounting officer, we conducted an evaluation of our disclosure controls and procedures, as such terms is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our principal executive officer, our principal financial officer and our chief accounting officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the treadway Commission. Based on our evaluation under the framework in *Internal Control-Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of September 30, 2007.

Hancock Askew & Co., LLP, the independent registered certified public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of September 30, 2007, as stated in their report which appears in Item 8.

INHERENT LIMITATIONS OVER INTERNAL CONTROLS

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted

accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. 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.

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, 2007.

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, 2007.

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, 2007.

Equity Compensation Plan Information

<u>Plan Category</u>	Number of Securities to be issued upon exercise of outstanding options, warrants and rights <u>(a)</u>	Weighted Average exercise price of outstanding options, warrants and rights <u>(b)</u>	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <u>(c)</u>
Equity compensation plans approved by security holders	266,611	\$31.42	276,400
Equity compensation plans not approved by security holders	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>266,611</u>	<u>\$31.42</u>	<u>276,400</u>

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, 2007.

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, 2007.

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 5, 2007

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 5, 2007.

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.
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, 2007

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, incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 2006. File No. 33-26115.

- (13) The Company's 2007 Annual Report to shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2007 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, 2007: 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 Hillside LLC #4 (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))

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Consolidated Financial Statements:	
Consolidated balance sheets at September 30, 2007 and 2006	13(a)
For the years ended September 30, 2007, 2006 and 2005:	
Consolidated statements of income	12(a)
Consolidated statements of cash flows	14(a)
Consolidated statements of shareholders' equity and comprehensive income	15(a)
Notes to consolidated financial statements	16-23(a)
Reports of Independent Registered Certified Public Accounting Firms	25-26(a)
Selected quarterly financial data (unaudited)	6(a)
Consents of Independent Registered Certified Public Accounting Firms	30(b)
Reports of Independent Registered Certified Public Accounting Firms on Financial Statement Schedules	31(b)
Consolidated Financial Statement Schedules:	
II - Valuation and qualifying accounts	32(b)
III - Real estate and accumulated depreciation and depletion	33-34(b)
(a)	Refers to the page number in the Company's 2007 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.

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. 333-18875, 333-55132, 333-125099 and 333-131475) of Patriot Transportation Holding, Inc. of our report dated December 5, 2007 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 years ended September 30, 2007 and 2006, which appears in the Annual Report to Shareholders incorporated herein by reference. We also consent to the incorporation by reference of our report dated December 5, 2007, relating to the financial statement schedules, which appear in this Form 10-K.

Our report dated December 5, 2007 on the consolidated financial statements includes an explanatory paragraph stating that, as discussed in Note 7 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 5, 2007

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-18875, 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 5, 2007

**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 5, 2007 appearing in the 2007 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 5, 2007

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

Our audit 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, 2007, 2006 AND 2005

	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, 2007:					
Allowance for doubtful accounts	\$ 359,227	\$ (22,155)	\$ -	\$ 130,204(a)	\$ 206,868
Accrued risk insurance	\$8,208,570	\$ 2,319,782	\$ -	\$ 2,916,669(b)	\$7,611,683
Accrued health insurance	1,192,939	3,662,082	(142,628)(c)	3,641,177(b)	1,071,216
Totals - insurance	<u>\$9,401,509</u>	<u>\$ 5,981,864</u>	<u>\$ (142,628)</u>	<u>\$ 6,557,846</u>	<u>\$8,682,899</u>

**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	<u>\$8,772,951</u>	<u>\$ 5,482,177</u>	<u>\$ 0</u>	<u>\$ 4,853,619</u>	<u>\$9,401,509</u>

**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	<u>\$7,858,991</u>	<u>\$ 6,649,304</u>	<u>\$ 0</u>	<u>\$ 5,735,344</u>	<u>\$8,772,951</u>

- (a) Accounts written off less recoveries
(b) Payments
(c) Adoption of FAS 158.

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE III (CONSOLIDATED) - REAL ESTATE & ACCUMULATED DEPRECIATION AND
DEPLETION (dollars in thousands)
SEPTEMBER 30, 2007

County	Encumbrances	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:
<u>Construction Aggregates</u>								
Alachua, FL		\$ 1,442	\$ 0	\$ 1,442	\$ 108	n/a	4/86	unit
Clayton, GA		369	0	369	5	n/a	4/86	unit
Fayette, GA		685	0	685	59	n/a	4/86	unit
Lake, FL		1,485	0	1,485	1,108	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	523	n/a	4/86	unit
Marion, FL		1,180	0	1,180	599	n/a	4/86	unit
Monroe, GA		792	0	792	261	n/a	4/86	unit
Muscogee, GA		369	0	369	201	n/a	4/86	unit
Prince Wil. VA		299	0	299	299	n/a	4/86	unit
Putnam, FL		<u>15,002</u>	<u>19</u>	<u>15,021</u>	<u>3,819</u>	n/a	4/86	unit
	0	27,594	129	27,723	6,988			
<u>Other Rental Property</u>								
Wash D.C.		2,957	8,277	11,234	2,194	n/a	4/86	15 yr.
Wash D.C.		3,811	0	3,811	0	n/a	10/97	
Putnam, FL		302	19	321	295	n/a	4/86	5 yr.
Spalding, GA		<u>19</u>	<u>0</u>	<u>19</u>	<u>0</u>	n/a	4/86	
	0	7,089	8,296	15,385	2,489			
<u>Commercial Property</u>								
Baltimore, MD	2,494	439	3,776	4,215	1,887	1990	10/89	31.5 yr.
Baltimore, MD	6,453	950	6,410	7,360	2,988	2006	12/91	31.5 yr.
Baltimore, MD	2,209	690	2,837	3,527	752	2000	7/99	31.5 yr.
Baltimore, MD	0	5,634	6,494	12,128	0	2001	8/95	31.5 yr.
Duval, FL	0	2,416	529	2,945	2,603	n/a	4/86	25 yr.
Harford, MD	2,238	31	3,825	3,856	1,191	1998	8/95	31.5 yr.
Harford, MD	3,870	50	5,552	5,602	1,318	1999	8/95	31.5 yr.
Harford, MD	5,446	85	6,665	6,750	1,769	2001	8/95	31.5 yr.
Harford, MD	0	92	1,537	1,629	0	n/a	8/95	31.5 yr.
Harford, MD	4,004	88	9,437	9,525	1,381	2007	8/95	31.5 yr.
Harford, MD	3,100	155	5,106	5,261	1,205	2001	8/95	31.5 yr.
Howard, MD	3,354	2,859	4,229	7,088	2,639	1996	9/88	31.5 yr.
Howard, MD	1,997	2,473	922	3,395	717	2000	3/00	31.5 yr.
Anne Arun, MD	2,459	715	7,017	7,732	3,990	1989	9/88	31.5 yr.
Anne Arun, MD	11,496	950	13,055	14,005	1,733	n/a	5/98	31.5 yr.
Anne Arun, MD	10,906	1,525	10,762	12,287	737	2005	8/04	31.5 yr.
Anne Arun, MD	4,978	737	5,125	5,862	189	2006	1/03	31.5 yr.
Anne Arun, MD	0	667	703	1,370	0	2007	7/07	31.5 yr.
Norfolk, VA	6,919	7,512	0	7,512	667	n/a	10/04	31.5 yr.
Prince Wil. VA	0	10,200	626	10,826	0	n/a	12/05	31.5 yr.
Newcastle Co. DE	<u>12,011</u>	<u>11,559</u>	<u>1,161</u>	<u>12,720</u>	<u>1,182</u>	2006	4/04	31.5 yr.
	83,934	49,827	95,768	145,595	26,948			
<u>Investment Property</u>		<u>1,215</u>	<u>112</u>	<u>1,327</u>	<u>114</u>	n/a	4/86	n/a
GRAND								
TOTALS	\$83,934	\$85,725	\$104,305	\$190,030	\$36,539			

(a) The aggregate cost for Federal income tax purposes is \$173,865.

**SCHEDULE III (CONSOLIDATED) - REAL ESTATE AND
ACCUMULATED DEPRECIATION AND DEPLETION
YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005**
(In thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gross Carrying Cost of Real Estate:			
Balance at beginning of period	\$184,735	164,233	146,995
Additions during period:			
Amounts capitalized	5,295	20,502	17,330
Deductions during period:			
Cost of real estate sold	-	-	92
Other (abandonments)	<u>-</u>	<u>-</u>	<u>-</u>
Balance at close of period	<u>\$190,030</u>	<u>184,735</u>	<u>164,233</u>
Accumulated Depreciation & Depletion:			
Balance at beginning of period	\$ 33,671	29,816	26,328
Additions during period:			
Charged to cost & expense	2,868	3,855	3,580
Deductions during period:			
Real estate sold	<u>-</u>	<u>-</u>	<u>92</u>
Balance at close of period	<u>\$36,539</u>	<u>33,671</u>	<u>29,816</u>

Annual Report 2007

CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended September 30

(Dollars in thousands except per share amounts)

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Revenues	\$154,282	147,374	4.7
Gross profit	\$ 30,407	29,152	4.3
Operating profit	\$ 18,352	17,055	7.6
Income before income taxes	\$ 14,616	13,249	10.3
Net income	\$ 9,505	8,078	17.7
Per common share:			
Basic	\$ 3.15	2.71	16.2
Diluted	\$ 3.04	2.62	16.0
Total Assets	\$253,530	219,215	15.7
Total Debt	\$ 83,934	63,124	33.0
Shareholders' Equity	\$130,461	118,052	10.5
Common Shares Outstanding	3,051	3,012	1.3
Book Value Per Common Share	\$ 42.76	39.20	9.1

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 tank truck company concentrating in the hauling of primarily petroleum products and other liquid and dry bulk commodities. 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

Your Company completed fiscal 2007 with very satisfying financial and operating results, notwithstanding challenges and concerns from the regional and national economy.

Consolidated revenues grew 4.7% to \$154,282,000, and operating profit climbed 7.6% to \$18,352,000. Income before income taxes increased 10.3%, and net income gained 17.7% to \$9,505,000. Net income per diluted share rose 16.0% to \$3.04.

Patriot also finished 2007 with a healthy balance sheet which will continue to keep the Company well-positioned for growth. Our ratio of long-term debt to shareholders' equity was 64.3% at September 30, and our long-term debt is comprised entirely of fixed-rate, non-recourse real estate-related obligations. The Company's Transportation Group again had no long-term debt at year-end. Moreover, Patriot finished the year with approximately \$26,900,000 of invested cash balances and \$30,000,000 revolving credit facility available. Finally, net book value per common share increased 9.1% to \$42.76.

Transportation Group

Encouraging operating progress coupled with adversity characterized Patriot's transportation year. Both operating subsidiaries, Florida Rock & Tank Lines, Inc. ("Tank Lines") and SunBelt Transport, Inc. ("SunBelt") again achieved solid performance in preventable accident frequency ratios for workers compensation and automobile-related occurrences. These year-over-year achievements enabled actuarial-related financial benefits from decreased balance sheet insurance reserves.

Additionally, driver manning improved significantly at both companies, allowing better equipment utilization and improved total revenue miles.

However, market conditions, freight demand and record diesel fuel cost impacts each discriminated substantially between Tank Lines and SunBelt.

Stable to somewhat healthy refined petroleum product demand enabled Tank Lines to generally recoup spiking diesel expenses while achieving further year-over-year gains in annual revenues per driver and per tractor. Revenue miles hauled benefited from improved driver manning.

SunBelt, on the other hand, began the year and continues to struggle against a veritable perfect storm in its flatbed markets. With its operations concentrated in the Southeast U.S., SunBelt has witnessed freight demand gyrating frequently while trending steadily downward from dramatically decreasing residential housing starts and glutted inventories of construction materials and existing homes. Poor freight demand and related volume disruptions have led to lower revenues per mile, per driver and per tractor. As major building materials shippers have cut costs by either reducing or eliminating their payments to carriers for fuel price surcharges, net fuel expense as a percent of revenue has skyrocketed about 30% over the previous year.

SunBelt expects another difficult year for 2008. Tank Lines may experience some freight softness if the national economy continues to

slow and gasoline consumption begins to react to higher retail prices. Nevertheless, both companies are well-positioned for the future. Their customer service reputations are excellent, their fleets are modern, they are fully manned and are not saddled with debt. As a trend toward further consolidation builds throughout their industry groups, both companies can anticipate opportunities.

Real Estate Group

The Group's developed building portfolio totaled 2,491,629 square feet at year-end and was 93.8% occupied.

Two additional buildings are under construction. A 66,398 square foot office building at the Company's Hillside Business Park near the Baltimore-Washington International Airport and the first office/warehouse building at the Windless Run Business Park (formerly "Bird River"). These two projects represent 135,725 square feet. Combining these two buildings with the year-end total developed square footage represents an 8.7% increase in total developed portfolio compared to fiscal 2006.

Land development activities will begin in the spring of 2008 at Patriot Business Park in Prince William County, Virginia. Development plans anticipate an eventual build-out there of about 700,000 square feet of warehouse/office buildings.

The Company's 300/400 Interchange Boulevard in New Castle, Delaware can also accommodate an additional 93,600 square feet of office-warehouse capacity, and construction feasibility studies are underway.

Counting the two buildings under construction and remaining build-out capacity for all business parks now owned provides projected total square footage of about 4,714,000 square feet.

Finally, important work continues toward achieving appropriate zoning entitlements for two significant properties. The first is Brooksville Quarry, LLC, a 50/50 joint venture with Vulcan Materials Company, formerly Florida Rock Industries, Inc., for about 4,300 contiguous acres near Brooksville, Florida. Final entitlement approvals could take several more years to complete.

The Company's 5.8 acre undeveloped site on the Anacostia River in Washington, D.C. is the second property currently undergoing re-zoning application. This tract is adjacent to the construction site for the new Washington Nationals Baseball Stadium scheduled for completion about the end of March, 2008. An additional property not subject to the current re-zoning application, a 2.1 acre tract on the same bank of the river, is also owned by the Company.

Planned Unit Development ("PUD") Zoning is being requested for the 5.8 acre property. The Company continues to work for approval of PUD status, which would permit development of up to 545,800 square feet of commercial use and an additional 569,600 square feet for residential. The Company remains optimistic for approval of its PUD application now pending before the Zoning Commission of the District of Columbia.

Conclusion

Though SunBelt Transport continues to battle adverse effects throughout its freight markets from the dramatic fall-off in residential construction, fiscal 2007 was another good period of progress for Patriot. We are also quite confident fiscal 2008 will produce interesting growth potential as well.

Your Company remains anchored to a very seasoned, capable managerial foundation. The combined strengths of its people, its balance sheet and its commitment to results will continue to produce rewarding progress along the road ahead.

We recognize and want to thank our customers and shareholders for the great loyalty and support you continue to provide.
Respectively yours,

Edward L. Baker
Chairman

John E. Anderson
President & Chief Executive Officer

OPERATING PROPERTIES

Transportation. During fiscal 2007, 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, 2007, the transportation group owned and operated a fleet of 639 trucks and 1,003 trailers.

During fiscal 2007, the transportation group purchased 63 new tractors and 4 new trailers. The Company accelerated its normal tractor replacement cycle in response to stricter engine emission standards on new trucks that became effective in January 2007. Six of the tractors purchased in fiscal 2007 have the higher cost engines required by the new standards. Florida Rock & Tank Lines, Inc. also purchased 12 used tractors and trailers in July 2007 as part of the acquisition of another transport company's Atlanta Georgia business. The acquisition also included the hiring of drivers and support staff along with assumption of all the customers. Total additional annual revenue from this acquisition is estimated to be \$2.5 million. The fiscal 2008 capital budget includes 63 new tractors and 56 new trailers which includes binding commitments to purchase 11 tractors and 20 trailers at September 30, 2007. Maintaining a modern fleet 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 long-term 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. FRI merged with Vulcan Materials Company in November 2007. The Florida Rock Division of Vulcan Materials Company currently continues to operate under the same mining royalty agreements and leases.

At September 30, 2007, 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 that are 92% occupied. Following occupancy by an additional 22,410 square foot tenant in October 2007 this park is 97% occupied. Construction of the final building with 66,398 square feet of office space was started in October 2007.

2) Lakeside Business Park in Harford County, Maryland consists of 84 usable acres. Eight warehouse/office buildings, totaling 745,741 square feet, have been constructed. Of the eight existing buildings, seven are 100% leased/occupied and the eighth, completed in September 2007 is 59% leased. Upon occupancy of the 59% tenant in November 2007, this park is now 96% occupied. The remaining 27 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 82% leased.

8) Arundel Business Center in Howard County, Maryland contains approximately 11 acres with 162,796 square feet of warehouse/office space, which is 96% 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 100% leased. The remaining 8.8 acres are available for future development and have the potential to offer an additional 93,600 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, 2007 the Company owned the following future development parcels:

1) Windlass Run, formerly referred to as Bird River, located in southeastern Baltimore County, Maryland, is a 179-acre tract of land that

has direct access to Maryland State Road 43, which was completed in October 2006 and connects 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 warehouse/office buildings on the 42 developable acres zoned for commercial use. Land development efforts commenced in the summer of 2007. Construction of the first building began in August 2007. The residential portion of the property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain a Planned Unit Development.

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. A portion of the tract totaling 28.7 acres is subject to taking by the Virginia Department of Transportation for construction of a traffic cloverleaf at the intersection of Prince William Parkway and Balls Ford Road. The Company plans to develop and lease approximately 700,000 square feet of warehouse/office buildings on the residual 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 form Brooksville Quarry, LLC, a real estate joint venture to develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in approximately 3,443 acres formerly leased to FRI under a long-term mining lease which had a net book value of \$2,548,000. FRI is entitled to mine the property until 2018 and pay royalties for the benefit of FRP for as long as mining does not interfere with the development of the property. Real estate revenues included \$149,000 of such royalties in fiscal 2007 and \$112,000 in fiscal 2006. Allocated depletion expense of \$6,000 was included in real estate cost of operations for fiscal 2007.

FRP also reimbursed FRI \$3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel acquired by FRI in 2006 and contributed by FRI to the joint venture. FRI also contributed 553 acres that it owns as well as its leasehold interest in the 3,443 acres that it leased from FRP. The joint venture is jointly controlled by FRI and FRP, and they each have a mandatory obligation to fund additional capital contributions of up to \$2 million. Capital contributions of \$500,000 were made during fiscal 2007. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to FRP. Other income for fiscal 2007 includes a loss of \$156,000 representing the Company's equity in the loss of the joint venture.

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 March, 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 545,800 square feet of commercial development and up to 569,600 square feet of residential development. Consideration of a proposed action by the Zoning Commission is anticipated at a scheduled public meeting in the first calendar quarter of 2008. 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)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Summary of Operations:					
Revenues	\$154,282	147,374	131,036	115,789	102,561
Gross profit	\$ 30,407	29,152	24,993	22,482	17,590
Operating profit	\$ 18,352	17,055	15,191	13,430	9,437
Interest expense	\$ 3,878	3,955	3,276	3,907	3,497
Income from continuing operations	\$ 9,505	8,078	7,609	6,096	3,627
Per Common Share:					
Basic	\$ 3.15	2.71	2.58	2.08	1.19
Diluted	\$ 3.04	2.62	2.50	2.05	1.18
Discontinued operations	\$ -	-	-	14,644	1,023
Net income	\$ 9,505	8,078	7,609	20,740	4,650
Per Common Share:					
Basic	\$ 3.15	2.71	2.58	7.08	1.53
Diluted	\$ 3.04	2.62	2.50	6.97	1.51
Financial Summary:					
Current assets	\$ 44,486	17,412	19,569	30,066	13,965
Current liabilities	\$ 20,228	18,192	16,221	23,099	11,220
Property and equipment, net	\$192,523	192,073	164,936	149,011	139,379
Total assets	\$253,530	219,215	193,715	186,821	166,643
Long-term debt	\$ 80,172	60,548	48,468	41,185	57,816
Shareholders' equity	\$130,461	118,052	107,901	98,972	78,914
Net Book Value					
Per common Share	\$ 42.76	39.20	36.39	33.79	26.91
Other Data:					
Weighted average common shares - basic	3,022	2,980	2,950	2,931	3,033
Weighted average common shares - diluted	3,131	3,087	3,039	2,976	3,066
Number of employees	1,019	981	925	908	845
Shareholders of record	573	634	679	702	745

Quarterly Results (unaudited)

(Dollars in thousands except per share amounts)

	First		Second		Third		Fourth	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	\$37,124	35,423	38,156	35,561	39,631	37,611	39,371	38,779
Gross profit	\$ 7,459	6,782	8,423	6,837	7,794	7,340	6,731	8,193
Net income	\$ 2,160	1,898	2,597	1,705	2,426	1,844	2,322	2,631
Earnings per common share:								
Basic	\$.72	.64	.86	.57	.80	.62	.76	.88
Diluted	\$.69	.62	.83	.56	.77	.59	.74	.85
Market price per common share(a):								
High	\$100.08	70.58	94.00	70.71	91.66	93.98	98.34	85.45
Low	\$ 69.95	65.92	78.23	62.64	84.70	67.74	85.23	63.07

(a) All prices represent high and low daily closing prices as reported by The Nasdaq Stock Market.

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 was a related party to Florida Rock Industries, Inc. (FRI) because four of the Company's directors also served until November 16, 2007, as directors of FRI and such directors own approximately 24% of the stock of FRI and 47% of the stock of the Company. The Company derived 5.4% of its consolidated revenue from FRI in fiscal 2007. FRI merged with Vulcan Materials Company in November 2007. The Florida Rock Division of Vulcan Materials Company currently continues to operate under the same mining royalty agreements and leases.

Net income was \$9,505,000 or \$3.04 per diluted share in fiscal 2007, an increase of 17.7% compared to \$8,078,000 or \$2.62 per diluted share in

fiscal 2006. Results for fiscal 2007 were assisted by a lower effective tax rate of 35.0% versus 39.0% in the prior year representing a \$585,000 reduction in income tax expense. This was primarily due to a reduction in income tax reserves from the expiration of the statutes of limitations related to certain positions and the finalization of a Federal income tax audit. Net income for fiscal 2006 was adversely impacted by \$787,000 (\$.25 per diluted common share) of vacation expense, net of income tax benefits, that was not previously accrued.

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, primarily serving residential markets.

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. Changes in miles or rates will affect revenue. Given the large increases in diesel fuel costs over the past 3 years, 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 profit ratio.

The Company's transportation segment faces on-going challenges from high diesel fuel expenses. SunBelt continues to face negative construction materials industry trends and significant profitability challenges due to poor freight demand, utilization disruption, pricing softness and sharply higher diesel fuel expense net of surcharges. This downturn will continue into 2008. Tank Lines purchased 12 used tractors and trailers in July 2007 as part of the acquisition of another transport company's Atlanta Georgia business. The acquisition also included the

hiring of drivers and support staff along with assumption of all the customers. Total additional annual revenue from this acquisition is estimated to be \$2.5 million.

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 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, 2007:

<u>Development</u>	<u>Location</u>	<u>Total Sq. feet</u>	<u>% Occupied</u>
Hillside (1)	Anne Arundel Co., MD	504,740	92.4%
Lakeside (2)	Harford Co., MD	745,741	90.0%
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	82.1%
Arundel	Howard Co., MD	162,796	96.0%
Interchange	New Castle Co., DE	303,006	100.0%
Azalea Garden	Norfolk, VA	188,093	100.0%
		<u>2,491,629</u>	<u>93.8%</u>

- (1) A lease agreement has been executed for 22,410 square feet to commence on or around November 1, 2007.
- (2) A lease agreement has been executed for lease 43,830 square feet to commence on or around November 13, 2007.

In addition to the completed buildings, construction of the final building at Hillside, a 66,000 square foot office, started in October 2007 and land is available at these parks to construct additional buildings at Lakeside Business Park (343,000 square feet) and Interchange (93,600 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, formerly referred to as Bird River, located in southeastern Baltimore County, Maryland, is a 179-acre tract of land that has direct access to Maryland State Road 43, which was completed in October 2006 and connects 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 warehouse/office buildings on the 42 developable acres zoned for commercial use. Land development efforts commenced in the summer of 2007. Construction of the first building began in August 2007. The residential portion of the property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain a Planned Unit Development.

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. A portion of the tract totaling 28.7 acres is subject to taking by the Virginia Department of Transportation for construction of a traffic cloverleaf at the intersection of Prince William Parkway and Balls Ford Road. The Company plans to develop and lease approximately 700,000 square feet of warehouse/office buildings on the residual property. Land development efforts will commence in the spring of 2008.

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 form Brooksville Quarry, LLC, a real estate joint venture to develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in approximately 3,443 acres formerly leased to FRI under a long-term mining lease which had a net book value of \$2,548,000. FRI is entitled to mine the property until 2018 and pay royalties for the benefit of FRP for as long as mining does not interfere with the development of the property. Real estate revenues included \$149,000 of such royalties in fiscal 2007 and \$112,000 in fiscal 2006. Allocated depletion expense of \$6,000 was included in real estate cost of operations for fiscal 2007. FRP also reimbursed FRI \$3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel acquired by FRI in 2006 and contributed by FRI to the joint venture. FRI also contributed 553 acres that it owns as well as its leasehold interest in the 3,443 acres that it leased from FRP. The joint venture is jointly controlled by FRI and FRP, and they each have a mandatory obligation to fund additional capital contributions of up to \$2 million. Capital contributions of \$500,000 were made during fiscal 2007. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to FRP. Other income for fiscal 2007 includes a loss of \$156,000 representing the Company's equity in the loss of the joint venture. 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.

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. This property is adjacent to the new baseball stadium for the Washington Nationals baseball team scheduled for completion about the end of the first calendar quarter 2008. 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 545,800 square feet of commercial development and up to 569,600 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 newly approved zoning.

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

(dollars in thousands)	Fiscal Years ended September 30					
	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Transportation revenue	\$115,404	87%	108,800	86%	101,934	90%
Fuel surcharges	<u>16,538</u>	<u>13%</u>	<u>17,452</u>	<u>14%</u>	<u>10,890</u>	<u>10%</u>
Revenues	131,942	100%	126,252	100%	112,824	100%
Compensation and benefits	50,293	38%	48,281	38%	44,185	39%
Fuel expenses	28,944	22%	27,444	22%	21,555	19%
Insurance and losses	11,269	8%	11,107	9%	11,925	11%
Depreciation expense	9,032	7%	8,563	7%	7,920	7%
Other, net	<u>14,102</u>	<u>11%</u>	<u>13,338</u>	<u>10%</u>	<u>12,499</u>	<u>11%</u>
Cost of operations	<u>113,640</u>	<u>86%</u>	<u>108,733</u>	<u>86%</u>	<u>98,084</u>	<u>87%</u>
Gross profit	<u>\$ 18,302</u>	<u>14%</u>	<u>17,519</u>	<u>14%</u>	<u>14,740</u>	<u>13%</u>

The Transportation group's goals for 2007 were to operate safely, improve freight rates, recruit and retain qualified drivers and maximize equipment utilization.

Revenues 2007 vs 2006 - Transportation segment revenues were \$131,942,000, an increase of \$5,690,000 or 4.5% over 2006. The average price paid per gallon of diesel fuel increased slightly by \$0.02 over 2006 and fuel surcharge revenue decreased \$914,000. Excluding fuel surcharges, revenue per mile increased 1.1% reflecting a trend of decreasing freight demand and pricing softness from the downturn in housing and attendant lower demand for construction materials. Revenue miles in the current year were up 5.2% primarily from improved driver manning and higher tractor count.

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 2006 were up 1.5% compared to 2005 and were constrained by low driver availability.

Expenses 2007 vs 2006 - Transportation's cost of operations increased \$4,907,000 to \$113,640,000 in 2007, compared to \$108,733,000 in 2006. Compensation and benefits were higher as a result of increased revenue miles and an increase in the number of drivers offset by lower vacation expense. Fuel expenses increased due to an increase in revenue miles. As a percent of revenue cost of operations remained constant.

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 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.

Real Estate

(dollars in thousands)	Fiscal Years ended September 30					
	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Royalties and rent	\$ 6,680	30%	6,643	31%	6,143	34%
Developed property rentals	<u>15,660</u>	<u>70%</u>	<u>14,479</u>	<u>69%</u>	<u>12,069</u>	<u>66%</u>
Total revenue	22,340	100%	21,122	100%	18,212	100%
Mining and land rent expenses	1,731	8%	1,633	8%	1,378	8%
Developed property management	<u>8,504</u>	<u>38%</u>	<u>7,856</u>	<u>37%</u>	<u>6,581</u>	<u>36%</u>
Cost of operations	<u>10,235</u>	<u>46%</u>	<u>9,489</u>	<u>45%</u>	<u>7,959</u>	<u>44%</u>
Gross profit	<u>\$ 12,105</u>	<u>54%</u>	<u>11,633</u>	<u>55%</u>	<u>10,253</u>	<u>56%</u>

Revenues 2007 vs 2006 - Real estate revenues increased \$1,218,000 or 5.8% in 2007 to \$22,340,000. Lease revenues from developed properties increased \$1,181,000 or 8.2% due to an increase in occupied square footage along with higher rental rates on new leases. Royalties and rent from mining operations increased despite reduced tons mined because of revenues from timber harvesting and increases in minimum rent requirements pursuant to terms contained in several mining leases that became effective in April 2006 and August 2007.

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.

Expenses 2007 vs 2006 - Real Estate segment expenses increased to \$10,235,000 in 2007, compared to \$9,489,000 in 2006. Expenses related to development activities increased as a result of new building

additions, increased staffing and professional fees to facilitate continuing portfolio expansion.

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.

Consolidated Results

Gross Profit - Consolidated gross profit was \$30,407,000 in 2007 compared to \$29,152,000 in 2006, an increase of 4.3%. Consolidated gross profit was \$29,152,000 in 2006 compared to \$24,993,000 in 2005, an increase of 16.6%.

Selling, general and administrative expense - Selling, general and administrative expenses for 2007 decreased \$42,000 to \$12,055,000. The costs decreased due to a \$241,000 reduction in vacation expense, a \$284,000 reduction in audit fees and Sarbanes-Oxley compliance costs, offset by a \$165,000 increase in stock compensation expense, a \$130,000 increase in legal costs and a \$183,000 increase in salaries. SG&A expense was 7.8% of revenue for fiscal 2007 compared to 8.2% for fiscal 2006.

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 7 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 11 to the Consolidated Financial Statements). SG&A expense was 8.2% of revenue for fiscal 2006 compared to 7.5% for fiscal 2005.

Interest expense - Even though debt increased, interest expense for 2007 decreased \$77,000 as compared to 2006 to \$3,878,000 due to higher capitalized interest costs. Interest expense for 2006 increased \$679,000 as compared to 2005 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.

Income taxes - Income tax expense decreased \$60,000 due to higher earnings offset by a lower effective tax rate of 35.0% versus 39.0%. The decrease was due to lower taxable income and reduction in income tax reserves from the expiration of the statutes of limitations related to certain positions and finalization of a Federal income tax audit. Income tax expense for 2006 increased \$835,000 to \$5,171,000 as compared to \$4,336,000 in 2005. This was due to higher earnings before taxes and an increase in the effective tax rate to 39.0% versus 36.3% in 2005.

Net income - Net income increased to \$9,505,000 in fiscal 2007 from \$8,078,000 in fiscal 2006. Results for fiscal 2007 were assisted by a lower effective tax rate of 35.0% versus 39.0% in the prior year representing a \$585,000 reduction in income tax expense. This was

primarily due to a reduction in income tax reserves from the expiration of the statutes of limitations related to certain positions and the finalization of a Federal income tax audit. Net income for fiscal 2006 was adversely impacted by \$787,000 (\$.25 per diluted common share) of vacation expense, net of income tax benefits, that was not previously accrued. Fiscal 2006 net income was up 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. Diluted earnings per share increased to \$3.04 in fiscal 2007 from \$2.62 in 2006, and were \$2.50 in 2005.

LIQUIDITY AND CAPITAL RESOURCES

For fiscal 2007, the Company used cash provided by operating activities of \$23,322,000, \$35,178,000 from the issuance of long-term debt, \$1,672,000 from the proceeds of sales of equipment and \$1,858,000 from the exercise of stock options to purchase \$17,354,000 in property and equipment, to invest \$3,518,000 in the Brooksville Joint Venture, to reduce borrowings under its Revolver by \$12,452,000 and to make \$1,916,000 in scheduled payments on long-term debt. Cash increased \$26,790,000. Cash flows from operating activities were \$550,000 higher than the same period last year primarily due to lower income tax payments. Cash flows used in investing activities were \$19,713,000 lower than 2006 due to the purchase in 2006 of property for future development and accelerated transportation equipment replacement in fiscal 2006. Cash flows from financing activities were \$9,339,000 higher due to issuance of long-term debt offset by reduced borrowings under the Revolver.

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.

On July 31, 2007, the Company borrowed \$36,000,000 from Prudential Insurance Company of America. The non-recourse mortgage loans fully amortize on a level term over 20 years and bear interest at a fixed rate of 5.74%. The loans are secured by seven developed properties with an aggregate net book value of \$31,074,000 at June 30, 2007. A portion of the proceeds were used to repay balances outstanding under the Company's Revolver and the remaining proceeds will be used to fund new construction and purchase land for future development. Net interest expense for fiscal 2008 is expected to increase versus fiscal 2007 by approximately \$1,200,000 due to lower capitalized interest and interest rates on mortgage debt exceeding short-term cash investments.

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) which had a zero balance at September 30, 2007. The Revolver contains limitations on borrowing and restrictive covenants including limitations on paying cash dividends. Under these restrictions, as of September 30, 2007, \$30,000,000 was available for borrowing and \$30,591,000 of consolidated retained earnings was available for payment of dividends.

The Company had \$17,222,000 of irrevocable letters of credit outstanding at September 30, 2007. 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 automobile 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 2007 or fiscal 2006. At September 30, 2007 the Company had \$3,490,000 authorized for repurchase of shares.

The Company has committed to make an additional capital contribution of up to \$1.5 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 2008 capital expenditures to be approximately \$47,000,000 (\$32,000,000 for real estate development expansion, \$12,000,000 for transportation segment expansion and replacement equipment, and \$3,000,000 for a corporate aircraft). Depreciation and depletion expense is expected to be approximately \$13,797,000.

The Company expects that cash flows from operating activities, secured financing on existing and planned real estate projects, cash on hand 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 and Unrealized Rents Valuation. The Company is subject to customer credit risk that could affect the collection of outstanding accounts receivable and unrealized rents, that is rents recorded on a straight-lined basis. 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. Significant changes in customer credit could require increased allowances and affect cash flows.

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

	<u>Years</u>
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. Changes in estimates or assumptions could have an impact on the Company's financials.

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 an impact on the Company's 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, 2007:

	<u>Total</u>	<u>Payments due by period</u>			
		<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Mortgages Including Interest	\$131,249	8,997	17,994	17,994	86,264
Operating Leases	498	387	111	-	-
Purchase Commitments	11,365	11,365	-	-	-
Other Long-Term Liabilities	<u>862</u>	<u>70</u>	<u>158</u>	<u>155</u>	<u>479</u>
Total obligations	<u>\$143,974</u>	<u>20,819</u>	<u>18,263</u>	<u>18,149</u>	<u>86,743</u>

The Company has committed to make an additional capital contribution of up to \$1,500,000 dollars to Brooksville Quarry, LLC in connection with a joint venture with FRI (see Transactions with Related Parties). The current plan forecasts \$512,000 in fiscal 2008, \$114,000 in fiscal 2009 which are not included in the table above. The additional commitment of \$874,000 is not included in the forecast but may be spent as required.

SUBSEQUENT EVENTS

On December 5, 2007, John E. Anderson, age 62, announced his retirement as the Company's President and Chief Executive Officer effective February 6, 2008. Mr. Anderson has served as the Company's President and Chief Executive Officer since 1989. Mr. Anderson will continue to serve on the Company's Board of Directors. Also on December 5, 2007, the board of directors approved certain retirement benefits to Mr. Anderson in recognition of his years of service to the Company. Upon Mr. Anderson's retirement, the Company will pay him approximately \$4,700,000 for his accrued benefit under the Management Security Plan, the fair value of his outstanding stock options and restricted stock and an additional bonus. The Company expects that the total impact of these payments on the Company's earnings for fiscal 2008 to be approximately \$2,300,000 before taxes or \$1,400,000 after taxes. On December 5, 2007, the Company's Board of Directors appointed John D. Baker II to succeed Mr. Anderson as President and Chief Executive Officer. Mr. Baker, age 59, has served as a director of the Company since 1986.

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 those 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 others 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: freight demand for petroleum products including recessionary and terrorist impacts on travel in the Company's markets; levels of construction activity in the markets served by our mining properties and our flatbed trucking subsidiary; fuel costs; accident severity and frequency; risk insurance markets; driver availability and cost; the impact of future regulations regarding the transportation industry; availability and terms of financing; competition; interest rates, inflation and general economic conditions; demand for flexible warehouse/office facilities in the Baltimore/Washington area; and ability to obtain zoning and entitlements necessary for property development. 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 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)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Transportation	\$131,942	126,252	112,824
Real estate	<u>22,340</u>	<u>21,122</u>	<u>18,212</u>
Total revenues (including revenue from related parties of 8,349, \$8,321, and \$6,728, respectively)	154,282	147,374	131,036
Cost of operations:			
Transportation	113,640	108,733	98,084
Real estate	<u>10,235</u>	<u>9,489</u>	<u>7,959</u>
Total cost of operations	123,875	118,222	106,043
Gross profit:			
Transportation	18,302	17,519	14,740
Real estate	<u>12,105</u>	<u>11,633</u>	<u>10,253</u>
Total gross profit	30,407	29,152	24,993
Selling, general and administrative expense (including expenses paid to related party of \$191, \$191, and \$174, respectively)	<u>12,055</u>	<u>12,097</u>	<u>9,802</u>
Operating profit	18,352	17,055	15,191
Interest income and other	298	149	30
Equity in loss of joint venture	(156)	-	-
Interest expense	<u>(3,878)</u>	<u>(3,955)</u>	<u>(3,276)</u>
Income before income taxes	14,616	13,249	11,945
Provision for income taxes	<u>5,111</u>	<u>5,171</u>	<u>4,336</u>
Net income	<u>\$ 9,505</u>	<u>8,078</u>	<u>7,609</u>
Earnings per common share:			
Basic	\$ 3.15	2.71	2.58
Diluted	\$ 3.04	2.62	2.50

Number of weighted average shares (in thousands) used in computing:

- basic earnings per common share	3,022	2,980	2,950
- diluted earnings per common share	3,131	3,087	3,039

See accompanying notes.

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

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,944	154
Accounts receivable (including related party of \$308 and \$546 and net of allowance for doubtful accounts of \$207 and \$359, respectively)	10,983	11,761
Inventory of parts and supplies	743	854
Deferred income taxes	455	870
Prepaid tires on equipment	2,028	2,230
Prepaid taxes and licenses	1,652	1,216
Prepaid insurance	1,601	260
Prepaid expenses, other	80	67
Total current assets	<u>44,486</u>	<u>17,412</u>
Property and equipment, at cost:		
Land	82,644	76,239
Buildings	108,031	103,498
Equipment	89,099	89,778
Construction in progress	2,503	8,120
	<u>282,277</u>	<u>277,635</u>
Less accumulated depreciation and depletion	<u>89,754</u>	<u>85,562</u>
	<u>192,523</u>	<u>192,073</u>
Real estate held for investment, at cost	1,274	1,093
Investment in joint venture	5,904	-
Goodwill	1,087	1,087
Unrealized rents	2,589	2,201
Other assets	<u>5,667</u>	<u>5,349</u>
Total assets	<u>\$253,530</u>	<u>219,215</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,408	5,670
Federal and state income taxes payable	702	20
Accrued payroll and benefits	5,202	5,160
Accrued insurance reserves	4,119	4,297
Accrued liabilities, other	1,035	469
Long-term debt due within one year	<u>3,762</u>	<u>2,576</u>
Total current liabilities	20,228	18,192
Long-term debt	80,172	60,548
Deferred income taxes	15,274	14,968
Accrued insurance reserves	4,562	5,104
Other liabilities	2,833	2,351
Commitments and contingencies (Notes 13 and 14)		
Shareholders' equity:		
Preferred stock, no par value;		
5,000,000 shares authorized; none issued	-	-
Common stock, \$.10 par value;		
25,000,000 shares authorized; 3,051,064 and 3,011,629 shares issued and outstanding, respectively	305	301
Capital in excess of par value	32,154	29,169
Retained earnings	98,087	88,582
Accumulated other comprehensive loss, net of tax	(85)	-
Total shareholders' equity	<u>130,461</u>	<u>118,052</u>
Total liabilities and shareholders' equity	<u>\$253,530</u>	<u>219,215</u>
See accompanying notes.		

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

Cash flows from operating activities:	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income	\$ 9,505	8,078	7,609
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	14,160	13,510	12,479
Deferred income taxes	721	96	(2,421)
Equity in loss of joint venture	156	-	-
Gain on sale of equipment and real estate	(1,036)	(1,172)	(757)
Tax benefit from stock option exercise	-	-	443
Stock-based compensation	1,131	968	-
Net changes in operating assets and liabilities:			
Accounts receivable	778	(30)	(2,608)
Inventory of parts and supplies	111	(55)	(157)
Prepaid expenses and other current assets	(1,588)	(92)	(132)
Other assets	(1,406)	(1,082)	(1,916)
Accounts payable and accrued liabilities	168	2,449	4,677
Income taxes payable	682	(622)	(6,157)
Long-term insurance reserves and other long-term liabilities	<u>(60)</u>	<u>724</u>	<u>(525)</u>
Net cash provided by operating activities	<u>23,322</u>	<u>22,772</u>	<u>10,535</u>
Cash flows from investing activities:			
Purchase of transportation group property and equipment	(8,201)	(19,806)	(11,063)
Purchase of real estate group property and equipment	(9,153)	(20,795)	(17,511)
Investment in joint venture	(3,518)	-	-
Cash held in escrow	-	-	16,553
Proceeds from the sale of property, plant and equipment	<u>1,672</u>	<u>1,688</u>	<u>1,377</u>
Net cash used in investing activities	<u>(19,200)</u>	<u>(38,913)</u>	<u>(10,644)</u>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	35,178	2,084	7,003
Net (decrease) increase in revolving debt	(12,452)	12,452	(3,201)
Repayment of long-term debt	(1,916)	(2,312)	(1,803)
Excess tax benefits from exercises of stock options and vesting of restricted stock	857	406	-
Exercise of employee stock options	<u>1,001</u>	<u>699</u>	<u>877</u>
Net cash provided by financing activities	<u>22,668</u>	<u>13,329</u>	<u>2,876</u>
Net increase (decrease) in cash and cash equivalents	26,790	(2,812)	2,767
Cash and cash equivalents at beginning of year	<u>154</u>	<u>2,966</u>	<u>199</u>
Cash and cash equivalents at end of year	<u>\$ 26,944</u>	<u>154</u>	<u>2,966</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 3,908	3,916	3,272
Income taxes	\$ 3,760	5,941	12,472
See accompanying notes.			

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

	<u>Common Stock</u> <u>Shares</u> <u>Amount</u>		<u>Capital in</u> <u>Excess of</u> <u>Par Value</u>	<u>Retained</u> <u>Earnings</u>	<u>Accumu-</u> <u>lated</u> <u>Other</u> <u>Compre-</u> <u>hensive</u> <u>Loss, net</u> <u>of tax</u>	<u>Total</u> <u>Share</u> <u>Holder's</u> <u>Equity</u>
Balance at October 1, 2004	2,929,075	\$293	25,784	72,895		98,972
Exercise of stock options	36,000	4	1,316			1,320
Net income				<u>7,609</u>		<u>7,609</u>
Balance at September 30, 2005	2,965,075	297	27,100	80,504		107,901
Exercise of stock options	26,454	3	696			699
Excess tax benefits from exercises of stock options			406			406
Stock option compensation			525			525
Shares granted to Directors	4,500		286			286
Restricted stock awards	15,960	1	(1)			-
Restricted stock forfeitures	(360)					-
Restricted stock expense			157			157
Net income				<u>8,078</u>		<u>8,078</u>
Balance at September 30, 2006	3,011,629	301	29,169	88,582		118,052
Exercise of stock options	35,935	4	994			998
Excess tax benefits from exercises of stock options and vesting of restricted stock			857			857
Stock option compensation			526			526
Shares granted to Directors	4,500		387			387
Restricted stock forfeitures	(1,000)					-
Restricted stock expense			221			221
Net income				9,505		9,505
Minimum pension liability, net of \$108 tax					(173)	(173)
Net actuarial gain retiree health net of \$55 tax					<u>88</u>	<u>88</u>
Balance at September 30, 2007	3,051,064	\$305	\$32,154	\$98,087	\$ (85)	130,461

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - Years ended September 30
(In thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income	\$ 9,505	8,078	7,609
Other comprehensive income:			
Minimum pension liability, net of tax	<u>(173)</u>	<u>-</u>	<u>-</u>
Comprehensive income	\$ 9,332	8,078	7,609

See accompanying notes.

NOTES TO CONSOLIDATED 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 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 wholly owned subsidiaries. Investment in the 50% owned Brooksville joint venture is accounted for under the equity method. 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 and depletion. 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 2007, 2006 and 2005 of \$13,545,000, \$12,948,000 and \$12,029,000, respectively.

At least annually, the Company 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.

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.

INVESTMENTS - The Company uses the equity method to account for investments in which it has a voting interest of 20% to 50% or in which it otherwise has the ability to exercise significant influence. Under the equity method, the investment is originally recorded at cost and adjusted to recognize the Company's share of net earnings or losses of the investee, limited to the extent of the Company's investment in and advances to the investee and financial guarantees on behalf of the investee that create additional basis. The Company regularly monitors and evaluates the realizable value of its investments. When assessing an investment for an other-than-temporary decline in value, the Company considers such factors as, the performance of the investee in relation to its own operating targets and its business plan, the investee's revenue and cost trends, as well as liquidity and cash position, and the outlook for the overall industry in which the investee operates. From time to time, the Company may consider third party evaluations or valuation reports. If events and circumstances indicate that a decline in the value of these assets has occurred and is other-than-temporary, the Company records a charge to investment income (expense).

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 also 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.

PENSION PLAN - The Company accounts for its pension plan following the requirements of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS No. 158"). SFAS No. 158 requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance.

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. The Company adopted this statement effective October 1, 2005. The adoption of SFAS No. 123(R) impacted results of operations by increasing salaries, wages, and related expenses, increasing additional paid-in capital, and increasing deferred income taxes. See Footnote 7 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 for the estimated amount of expected environmental assessments and/or remedial efforts. Estimation of such liabilities includes an assessment of engineering estimates, continually evolving governmental laws and standards, and potential involvement of other potentially responsible parties.

COMPREHENSIVE INCOME - Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) refers to expenses, gains, and losses that are not included in net income, but rather are recorded directly in shareholder's equity.

NEW ACCOUNTING PRONOUNCEMENTS - 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. The adoption of Statement 154 did not have a material impact on our financial statements.

In July 2006, the FASB issued FASB 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. In May 2007, the FASB issued Staff Position FIN No. 48-1, "Definition of 'Settlement' in FASB Interpretation No. 48" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how a company should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The accounting provisions of FIN 48 and FSP FIN 48-1 was effective for the Company beginning October 1, 2007. The Company is in the process of finalizing its evaluation of the impact that adopting FIN 48 will have on the Company's results of operations, however at this time the Company does not expect the impact to materially affect its operations.

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 adopted the disclosure requirements of SFAS 158 as of September 30, 2007 and the adoption did not have a material effect on the Company's consolidated financial statements.

RECLASSIFICATIONS - Certain reclassifications have been made to 2005 financials to conform to the presentation adopted in 2007.

2. Transactions with Related Parties.

As of September 30, 2007, four of the Company's directors were also directors of Florida Rock Industries, Inc. ("FRI"). Such directors own approximately 24% of the stock of FRI and 47% of the stock of the Company as of September 30. 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):

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Transportation	\$ 2,263	1,976	1,217
Real estate	<u>6,086</u>	<u>6,345</u>	<u>5,511</u>
	<u>\$ 8,349</u>	<u>8,321</u>	<u>6,728</u>

The Company outsources certain functions to FRI, including some administrative, and property management functions. Charges for services provided by FRI were \$191,000 in 2007, \$191,000 in 2006, and \$174,000 in 2005.

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 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP has contributed its fee interest in approximately 3,443 acres formerly leased to FRI under a long-term mining lease which had a net book value of \$2,548,000. FRI is entitled to mine the property until 2018 and pay royalties for the benefit of FRP for as long as mining does not interfere with the development of the property. Real estate revenues included \$149,000 of such royalties in fiscal 2007 and \$112,000 in fiscal 2006. Allocated depletion expense of \$6,000 was included in real estate cost of operations in fiscal 2007.

FRP also reimbursed FRI \$3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel acquired by FRI in 2006 and contributed by FRI to the joint venture. FRI also contributed 553 acres that it owns as well as its leasehold interest in the 3,443 acres that it leased from FRP. The joint venture is jointly controlled by FRI and FRP, and they each have a mandatory obligation to fund additional capital contributions of up to \$2 million. Capital contributions of \$500,000 each were made during fiscal 2007. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to FRP. Other income for fiscal 2007 includes a loss of \$156,000 representing the Company's equity in the loss of the joint venture.

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. Debt.

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

	<u>2007</u>	<u>2006</u>
Revolving credit (uncollateralized)	\$ -	12,452
5.6% to 8.6% mortgage notes, due in installments through 2027	<u>83,934</u>	<u>50,672</u>
	83,934	63,124

Less portion due within one year	<u>3,762</u>	<u>2,576</u>
	<u>\$80,172</u>	<u>60,548</u>

The aggregate amount of principal payments, excluding the revolving credit, due subsequent to September 30, 2007 is: 2008 - \$3,762,000; 2009 - \$4,019,000; 2010 - \$4,293,000; 2011 - \$4,588,000; 2012 - \$4,902,000; 2013 and subsequent years - \$62,370,000.

The Company has a \$37,000,000 uncollateralized 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 limitations on availability and restrictive covenants including limitations on paying cash dividends. Under these restrictions, as of September 30, 2007, \$30,000,000 was available for borrowing and \$30,591,000 of consolidated retained earnings would be available for payment of dividends. The Company is in compliance with all covenants as of September 30, 2007.

On July 31, 2007, the Company borrowed \$36,000,000 from Prudential Insurance Company of America. The non-recourse mortgage loans fully amortize on a level term over 20 years and bear interest at a fixed rate of 5.74%. The loans are secured by seven developed properties with an aggregate net book value of \$31,074,000 at June 30, 2007. A portion of the proceeds were used to repay balances outstanding under the Company's Revolver.

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 \$88,514,000 at September 30, 2007. Certain properties having a carrying value at September 30, 2007 of \$98,000 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 2007, 2006 and 2005 the Company capitalized interest costs of \$849,000, \$219,000 and \$305,000, respectively.

The Company had \$17,222,000 of irrevocable letters of credit outstanding at September 30, 2007. 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 automobile liability insurance retentions.

4. Leases.

At September 30, 2007, 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	\$ 27,723
Commercial property	<u>160,980</u>
	188,703
Less accumulated depreciation and depletion	<u>36,425</u>
	<u>\$152,278</u>

The minimum future straight-lined rentals due the Company on noncancelable leases as of September 30, 2007 are as follows: 2008 - \$14,934,000; 2009 - \$13,608,000; 2010 - \$11,453,000; 2011 - \$9,419,000; 2012 - \$8,002,000; 2013 and subsequent years \$41,021,000.

5. 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.

6. Earnings Per Share.

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

	<u>Years Ended September 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Common shares:			
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	3,022	2,980	2,950
Common shares issuable under share based payment plans which are potentially dilutive	<u>109</u>	<u>107</u>	<u>89</u>
Common shares used for diluted earnings per common share	<u>3,131</u>	<u>3,087</u>	<u>3,039</u>
Net income	\$ <u>9,505</u>	<u>8,078</u>	<u>7,609</u>
Earnings per common share			
Basic	<u>\$3.15</u>	<u>2.71</u>	<u>2.58</u>
Diluted	<u>\$3.04</u>	<u>2.62</u>	<u>2.50</u>

For 2007, 2006 and 2005, all outstanding stock options were included in the calculation of diluted earnings per common share because the sum of the hypothetical amount of future proceeds from the exercise price, unrecorded compensation, and tax benefits to be credited to capital in excess of par for all grants of stock options were lower than the average price of the common shares, and therefore were dilutive. For 2007 and 2006, all outstanding restricted shares were included in the calculation of diluted earnings per common share because the unrecorded compensation and tax benefits to be credited to capital in excess of par for all awards of restricted stock were lower than the average price of the common shares, and therefore were dilutive.

7. 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 276,400 at September 30, 2007.

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 the following stock compensation expense in its consolidated statement of income (in thousands):

	<u>Years Ended September 30</u>	
	<u>2007</u>	<u>2006</u>
Stock options issued prior to 123R adoption	\$ 525	525
Restricted stock awards granted in 2006	221	157
Annual non-employee Director stock award	388	286
	<u>1,134</u>	<u>968</u>
Deferred income tax benefit	436	378
Stock compensation net of tax expense	\$ <u>698</u>	<u>590</u>

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 2007 and 2006 included \$857,000 and \$406,000 respectively of excess tax benefits from the exercise of stock options and vesting of restricted stock.

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

	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (yrs)	Weighted Average Grant Date Fair Value
<u>Options</u>				
Outstanding at				
October 1, 2004	267,200	\$23.99		
Granted	116,000	\$44.38		
Exercised	(36,000)	\$24.38		
Forfeited	<u>(9,300)</u>	<u>\$32.52</u>		
Outstanding at				

September 30, 2005	337,900	\$30.72	7.8	
Granted	0	\$ 0		\$ 0
Exercised	(26,454)	\$26.41		\$ 359
Forfeited	<u>(6,700)</u>	\$33.53		
Outstanding at				
September 30, 2006	304,746	\$31.03	6.9	\$ 4,760
Granted	0	\$ 0		\$ 0
Exercised	(35,935)	\$27.76		\$ 500
Forfeited	<u>(2,200)</u>	\$37.70		
Outstanding at				
September 30, 2007	<u>266,611</u>	\$31.42	5.9	\$ 4,221
Exercisable at				
September 30, 2007	<u>202,711</u>	\$30.15	5.7	\$ 3,134
Vested during				
Twelve months ended				
September 30, 2007	<u>37,100</u>			\$ 549

The following table summarizes information concerning stock options outstanding at September 30, 2007:

<u>Range of Exercise Prices per Share</u>	<u>Shares under Option</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
Non-exercisable:			
\$22.23 - \$43.50	<u>63,900</u>	<u>\$35.42</u>	<u>6.5 years</u>
Exercisable:			
\$15.13 - \$24.00	82,311	20.20	4.4
\$25.91 - \$34.00	74,000	30.31	6.0
\$43.50 - \$60.40	<u>46,400</u>	<u>47.55</u>	<u>7.4</u>
	<u>202,711</u>	<u>\$30.15</u>	<u>5.7 years</u>
Total	<u>266,611</u>	<u>\$31.42</u>	<u>5.9 years</u>

The aggregate intrinsic value of exercisable in-the-money options was \$13,822,000 and the aggregate intrinsic value of all outstanding options was \$17,843,000 based on the market closing price of \$98.34 on September 28, 2007 less exercise prices. Gains of \$2,154,000 were realized by option holders during the twelve months ended September 30, 2007. The realized tax benefit from options exercised for the twelve months ended September 30, 2007 was \$826,000. Total compensation cost of options granted but not yet vested as of September 30, 2007 was \$635,000, which is expected to be recognized over a weighted-average period of 1.3 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):

	<u>2005</u>
Net income:	
As reported	\$7,609
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax effects	<u>905</u>
Pro forma	<u>\$6,704</u>

Basic earnings per common share	
As reported	\$2.58
Pro forma	\$2.27
Diluted earnings per common share	
As reported	\$2.50
Pro forma	\$2.21

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

<u>Restricted Stock</u>	<u>Number Of Shares</u>	<u>Weighted Average Grant Price</u>	<u>Weighted Average Remaining Term (yrs)</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at October 1, 2005	0			
Granted	15,960	\$63.64		\$ 1,016
Vested	0			
Forfeited	(360)	\$63.54		
Outstanding at September 30, 2006	15,600	\$63.64	3.3	\$ 993
Granted	0			\$ 0
Vested	(3,800)	\$63.65		\$ 242
Forfeited	<u>(1,000)</u>	<u>\$63.54</u>		
Outstanding at September 30, 2007	10,800	\$63.65	2.3	\$ 687

Total compensation cost of restricted stock granted but not yet vested as of September 30, 2007 was \$486,000 which is expected to be recognized over a weighted-average period of 2.3 years.

8. Income Taxes.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current:			
Federal	\$3,480	4,234	5,540
State	<u>857</u>	<u>841</u>	<u>1,217</u>
	<u>4,337</u>	<u>5,075</u>	<u>6,757</u>
Deferred	<u>774</u>	<u>96</u>	<u>(2,421)</u>
Total	<u>\$5,111</u>	<u>5,171</u>	<u>4,336</u>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Amount computed at statutory			
Federal rate	\$4,970	4,528	4,061
State income taxes (net of Federal income tax benefit)	645	553	441
Other, net	<u>(504)</u>	<u>90</u>	<u>(166)</u>
Provision for income taxes	<u>\$5,111</u>	<u>5,171</u>	<u>4,336</u>

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:

	<u>2007</u>	<u>2006</u>
Deferred tax liabilities:		
Property and equipment	\$16,835	16,279
Depletion	413	617
Unrealized rents	995	845
Prepaid expenses	<u>1,742</u>	<u>1,334</u>
Gross deferred tax liabilities	19,985	19,075
Deferred tax assets:		
Insurance reserves	3,177	3,343
Employee benefits and other	<u>1,989</u>	<u>1,634</u>
Gross deferred tax assets	<u>5,166</u>	<u>4,977</u>
Net deferred tax liability	<u>\$14,819</u>	<u>14,098</u>

The accrued liability for uncertain tax positions as of September 30, 2007 and 2006 was \$754,000 and \$839,000 respectively. During fiscal 2007 the liability was reduced \$85,000 due to the expiration of the statutes of limitations related to certain positions and finalization of a Federal income tax audit. The quarter ending September 30, 2007 included a reduction to income tax expense of \$585,000 primarily due to these factors.

9. 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 discretionary 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 \$798,000 in 2007, \$698,000 in 2006 and \$694,000 in 2005.

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 2007, 2006 and 2005 was \$365,000, \$347,000 and \$192,000, respectively. The accrued benefit under this plan as of September 30, 2007 and 2006 was \$2,340,000 and \$1,751,000 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, 2007 and 2006 was \$362,000 and \$503,000, respectively. The net periodic postretirement benefit cost was \$16,000, \$27,000 and \$10,000 for fiscal 2007, 2006, and 2005, respectively. The adoption of SFAS 158 as of September 30, 2007 resulted in a reduction of the obligation and an increase to other comprehensive income of \$143,000 before deferred income taxes. The discount rate used in determining the Net Periodic Postretirement Benefit Cost was 6.0% for 2007, 5.0% for 2006 and 6.0% for 2005. The discount rate used in determining the Accumulated Postretirement Benefit Obligation (APBO) was 6.0% for 2007, 6.0% for 2006 and 5.0% for 2005. No medical trend is applicable because the Company's share of the cost is frozen.

10. 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):

	2007	2006	2005
Revenues:			
Transportation	\$131,942	126,252	112,824
Real estate	<u>22,340</u>	<u>21,122</u>	<u>18,212</u>
	<u>\$154,282</u>	<u>147,374</u>	<u>131,036</u>
Operating profit:			
Transportation	\$ 9,693	8,875	6,587
Real estate	12,105	11,633	10,253
Corporate expenses	<u>(3,446)</u>	<u>(3,453)</u>	<u>(1,649)</u>
	<u>\$ 18,352</u>	<u>17,055</u>	<u>15,191</u>
Capital expenditures:			
Transportation	\$ 8,201	19,806	11,063
Real estate	<u>9,153</u>	<u>20,795</u>	<u>17,511</u>
	<u>\$ 17,354</u>	<u>40,601</u>	<u>28,574</u>
Depreciation, depletion and amortization:			
Transportation	\$ 9,246	8,769	8,166
Real estate	4,677	4,506	4,086
Other	<u>237</u>	<u>235</u>	<u>227</u>
	<u>\$ 14,160</u>	<u>13,510</u>	<u>12,479</u>
Identifiable assets at September 30:			
Transportation	\$ 56,101	57,715	47,435
Real estate	168,587	159,134	141,646
Cash	26,944	154	2,966
Unallocated corporate assets	<u>1,898</u>	<u>2,212</u>	<u>1,668</u>
	<u>\$253,530</u>	<u>219,215</u>	<u>193,715</u>

11. Accrued Vacation Liability.

Prior to fiscal 2006, 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 2006 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 2006 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. At September 30, 2007 the balance of the liability was \$1,429,000.

12. Fair Values of Financial Instruments.

At September 30, 2007 and 2006, 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 mortgage notes payable were estimated based on current rates available to the Company for debt of the same remaining maturities. At September 30, 2007, the carrying amount and fair value of such other long-term debt was \$83,934,000 and \$82,579,000, respectively. At September 30, 2006, the carrying amount and fair value of other long-term debt was \$50,672,000 and \$51,895,000, respectively.

13. 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.

14. Commitments.

The Company, at September 30, 2007, had entered into various contracts to develop real estate with remaining commitments totaling \$8,563,000, and to purchase transportation equipment for approximately \$2,967,000. The Company has committed to make an additional capital contribution of up to \$1,500,000 dollars to Brooksville Quarry, LLC in connection with a joint venture with FRI.

15. Customer Concentration.

The transportation segment primarily serves customers in the petroleum and building and construction industries. Petroleum customers accounted for approximately 68% and building and construction customers accounted for approximately 32% of transportation segment revenues for the year ended September 30, 2007.

During fiscal 2007, the transportation segment's ten largest customers accounted for approximately 50.7% of the transportation segment's revenue. One of these customers accounted for 12.3% 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. Accounts receivable from the transportation segment's ten largest customers was \$4,724,000 and \$4,466,000 at September 30 2007 and 2006 respectively.

16. Subsequent Events.

On December 5, 2007, John E. Anderson, age 62, announced his retirement as the Company's President and Chief Executive Officer effective February 6, 2008.

Mr. Anderson has served as the Company's President and Chief Executive Officer since 1989. Mr. Anderson will continue to serve on the Company's Board of Directors. Also on December 5, 2007, the board of directors approved certain retirement benefits to Mr. Anderson in recognition of his years of service to the Company. Upon Mr. Anderson's retirement, the Company will pay him approximately \$4,700,000 for his accrued benefit under the Management Security Plan, the fair value of his outstanding stock options and restricted stock and an additional bonus. The Company expects that the total impact of these payments on the Company's earnings for fiscal 2008 to be approximately \$2,300,000 before taxes or \$1,400,000 after taxes. On December 5, 2007, the Company's Board of Directors appointed John D. Baker II to succeed Mr. Anderson as President and Chief Executive Officer. Mr. Baker, age 59, has served as a director of the Company since 1986.

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, 2007 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, 2007, the Company's internal control over financial reporting is effective.

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 statements of income, shareholders' equity and cash flows present fairly, in all material respects, the results of Patriot Transportation Holding, Inc. operations, changes in shareholders' equity, and cash flows for the year 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 audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

December 22, 2005
Jacksonville, Florida

Report of Independent Registered Certified Public Accounting Firm

The Shareholders 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, 2007 and 2006, and the related consolidated statements of income, shareholder' equity and comprehensive income, and cash flows for the years 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements 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 audits provide 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, 2007 and 2006, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United

States of America. As discussed in Note 7 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-based Payment, effective October 1, 2005.

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, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company'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 included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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, Patriot Transportation Holding, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2007, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Hancock Askew & Co., LLP

December 5, 2007
Savannah, Georgia

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 Former Chairman of the Board of
Florida Rock Industries, Inc.

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

Thompson S. Baker II
President of Florida Rock Division
of Vulcan Materials Company

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

Luke E. Fichthorn III
Private Investment Banker,
Twain Associates

Robert H. Paul III (2) (3) (4)
Chairman of the Board of
Southeast Capital, LLC

H. W. Shad III (2)
Owner, Bozard Ford Company

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.

-
- (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 6, 2008, 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, 2007 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.

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 5, 2007

/s/John E. Anderson

President and Chief Executive
Officer

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 5, 2007

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

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 5, 2007

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

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 5, 2007

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.