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

(Mark One)

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

For the fiscal year ended September 30, 2011

OR

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

Commission file number 33-26115

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

FLORIDA	**59-2924957**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

501 Riverside Ave. Ste 500, Jacksonville, Florida	**32202**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock $.10 par value	**NASDAQ**
Title of class	Name of each exchange on which registered

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes **X** No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer[ ]	Accelerated filer[X]
Non-accelerated filer[ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes _____ No __X

The number of shares of the registrant's stock outstanding as of November 30, 2011 was 9,283,610. The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant as of March 31, 2011, the last day of business of our most recently completed second fiscal quarter, was $116,320,770. 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. 2011 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, 2011 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; fuel costs and the Company's ability to recover fuel surcharges; 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-Northern Virginia 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 Florida Rock & Tank Lines, Inc. ("Tank Lines") which operates in the Southeastern United States. Tank Lines hauls petroleum and other liquids and dry bulk commodities by tank trailers.

The Company’s real estate activities are conducted through two wholly owned subsidiaries: Florida Rock Properties, Inc. (“Properties”) and FRP Development Corp. (“Development”).

The Company’s real estate operations consist of two reportable segments. The mining royalty land segment owns real estate including construction aggregate royalty sites and parcels held for investment. The developed property rentals segment acquires, constructs, and leases office/warehouse buildings primarily in the Baltimore/Northern Virginia/Washington area and holds real estate for future development or related to its developments. Substantially all of the real estate operations are conducted within the Southeastern and Mid-Atlantic United States. Real estate revenues in fiscal 2011 were divided approximately 81% from rentals on developed properties and 19% from mining royalties.

In filings prior to March 2010 the Company’s real estate operations were aggregated and reported as a single segment. The prior filings additionally included results by division. In connection with the new presentation of our real estate operations as two reportable segments, two properties in Washington, D.C. and two properties in Duval County, Florida were reclassified out of the royalties and rent division and the division was renamed the mining royalty land segment. Historical results have been reclassified to conform to the new segment presentation.

Transportation. The transportation segment primarily serves customers in the petroleum industries in the Southeastern U.S.

During fiscal 2011, Tank Lines operated from terminals in Jacksonville, Orlando, Panama City, Pensacola, Port Everglades, Tampa and White Springs, Florida; Albany, Atlanta, Augusta, Bainbridge, Columbus, Macon and Savannah, Georgia; Chattanooga, Knoxville and Nashville, Tennessee; Birmingham and Montgomery, Alabama; and Wilmington, North Carolina.

Tank Lines has from two to six major tank truck competitors in each of its markets. Price, service, and location are the major factors which affect competition in the transportation segment within a given market.

During fiscal 2011, the transportation segment's ten largest customers accounted for approximately 54.6% of the transportation segment's revenue. One of these customers, Murphy Oil Corporation, accounted for 19.8% 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 2011, the transportation group purchased 47 new tractors, 8 used tractors, and 20 trailers. In fiscal 2010 and 2009, the Company purchased 79 tractors and 7 trailers.

Our fiscal 2012 capital budget includes 49 new tractors and 24 new trailers including binding commitments to purchase 39 tractors and 14 trailers at September 30, 2011. Maintaining a modern fleet has resulted in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. At September 30, 2011, the Company owned and operated a fleet of 415 trucks and 521 trailers plus 3 additional trucks that were being prepared for sale.

Mining Royalty Land. The mining royalty land segment owns and seeks to acquire land with construction aggregates deposits, a substantial portion of which is leased to Vulcan Materials Company under long-term mining royalty agreements, whereby the Company is paid a percentage of the revenues generated or annual minimums. The segment also owns mining related land held for future appreciation or development.

Developed Property Rentals. The developed property rentals segment acquires, constructs, leases and manages land and commercial buildings in the Baltimore/Northern Virginia/Washington and Jacksonville, Florida area.

A significant part of our 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 79.2%. At September 30, 2011, 79.8% of the total warehouse/office portfolio of approximately 2.9 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 Vulcan Materials Company. The Company was spun off from Florida Rock Industries, Inc. ("FRI") in 1986. FRI merged with Vulcan Materials Company ("Vulcan") in November 2007. Nearly all of our mining properties are leased to Vulcan under long-term mining leases entered into in the 1980s. We haul diesel fuel and cement for the Florida Rock Division of Vulcan. We also are a party to a joint venture agreement with Vulcan to develop approximately 4,300 acres of property located near Brooksville, Florida.

Vulcan accounted for approximately 16.3% of our real estate revenues and 3.1% of our transportation revenues for fiscal 2011. On a consolidated basis, Vulcan accounted for 5.5% of our fiscal 2011 revenues.

Segment Information. The Company operates in three reportable segments: transportation, mining royalty land and developed property rentals. Industry segment information is presented in Note 10 to the consolidated financial statements included in the accompanying 2011 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. 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, increased repair expense, and lowered fuel mileage. This will increase our capital expenses and our operating expenses. 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 776 people in its transportation group, 16 people in its real estate group and 10 people in its corporate offices at September 30, 2011.

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, proxy statements, quarterly reports on Form 10-Q, current reports filed or furnished on Form 8-K and all related amendments.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office	Position Since
John D. Baker II	63	Executive Chairman	Oct. 1, 2010
Thompson S. Baker II	52	President & Chief Executive Officer	Oct. 1, 2010
David H. deVilliers, Jr.	60	Vice President of the	Feb. 28, 1994

		Company and President of the Company’s Real Estate Group	
John D. Milton, Jr.	66	Exec. Vice President, Treasurer, Secretary and Chief Financial Officer	June 16, 2008
John D. Klopfenstein	48	Controller and Chief Accounting Officer	Feb. 16, 2005
Robert E. Sandlin	50	Vice President of the Company and 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. Baker II served as President and Chief Executive Officer of the Company from February 2008 to October 2010 and as President and Chief Executive Officer of Florida Rock Industries, Inc. from 1996 to November 2007; Thompson S. Baker II served as the President of the Florida Rock Division of Vulcan Materials Company ("Vulcan") from November 2007 to September 2010 and as President of the Aggregates Group of Florida Rock Industries, Inc. from August 1991 to November 2007; and John D. Milton, Jr. served as Executive Vice President and Chief Financial Officer of Florida Rock Industries, Inc. from 2001 to November 2007.

John D. Baker II, who is the brother of Chairman Emeritus 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 July 29, 2010, Thompson S. Baker II, a director of the Company, accepted an offer to become President and CEO of the Company, effective October 1, 2010. Upon Mr. Baker's appointment, Mr. John D. Baker II, the then President and Chief Executive Officer, became Executive Chairman of the Company and Mr. Edward L. Baker became Chairman Emeritus. John D. Baker II, Edward L. Baker and Thompson S. Baker II will continue to serve as directors of the Company.

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.

We face significant uncertainty regarding the continued demand for

our transportation services during the current economic climate. The transportation segment produces approximately 81% of our gross revenues and 56% of our operating profit. The current economic climate could adversely affect the demand for our transportation services. These adverse economic conditions may result in reductions in our revenue, increased price competition and increased operating costs, which could have an adverse effect on our business, results of operation and financial condition.

We would be adversely affected by a decline in demand for hauling ethanol.
In addition to other products, our tank lines subsidiary hauls ethanol which is blended with other petroleum products. The ethanol industry is highly dependent upon federal and state legislation and changes in such legislation could adversely affect the demand for ethanol products and the resulting demand for our transportation services. In addition, we would be adversely affected by the future construction of pipelines to transport ethanol, which also would reduce demand for our transportation services.

We would be adversely affected by a decline in gasoline and diesel fuel consumption.
In addition to other products, our tank lines subsidiary hauls gasoline and diesel. Our results would be adversely affected by a demand for gasoline and diesel fuel. The market demand for these products could be affected by increase in oil prices, government regulation, improved vehicle fuel efficiency, consumer preferences toward alternative fueled vehicles and technological advances.

Our operating results may be adversely impacted by volatility in fuel costs or by fuel shortages.
The crude oil and petroleum products markets are extremely volatile. Fuel prices are affected by a number of economic and political factors, including general political conditions, acts of war or terrorism, political instability in oil producing regions and capacity at United States oil refineries. Our operating results are impacted by our ability to recover fuel surcharges from customers. In light of the volatility of fuel prices, it may be difficult for us to recover fuel surcharges from customers at levels that will allow us to maintain current levels of profitability. In addition, increased fuel prices reduce consumer demand for the petroleum products hauled by our tank lines subsidiary, adversely impacting revenues. 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 is 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.
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 difficulty in recruiting and retaining qualified drivers.
In some years the transportation industry has had difficulty attracting and retaining qualified drivers (including independent contractors), and competition for drivers sometimes can be 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.
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 increased the cost of our new tractors, increased repair expense 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 2011, our top 10 customers, based on revenue, accounted for approximately 54.6% of our transportation segment's revenue and one customer accounted for 19.8% of the segment's 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 accrue currently for estimated incurred losses and expenses. We periodically evaluate and adjust our claims accrued liability to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our accrued 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, 2011, leases at our properties representing approximately 13%, 12% and 6% of the total square footage of buildings completed prior to September 2011 were scheduled to expire in fiscal year 2012, 2013 and 2014, respectively.

We may be unable to lease currently vacant space.
Vacant space totals 18% in our business parks and only a small

portion of that has leases signed for future occupancy. If we are unable to obtain leases sufficient to cover carrying costs then our cash flows may continue to be adversely affected.

The bankruptcy or insolvency of significant tenants with long-term leases may adversely affect income produced by our properties.
We have nine buildings in our business parks that are single-tenant occupied representing 37% of developed property rentals under long-term leases. We have ten 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-Northern Virginia area could adversely affect our business.
Nearly all of our office/warehouse properties are located in the Baltimore-Washington-Northern Virginia area. 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 not be able to issue debt on unencumbered properties under reasonable terms to finance growth of our portfolio of properties.
- 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.
- Our debt agreements have yield maintenance requirements that result in a penalty if we prepay loans.

As of September 30, 2011, we had outstanding non-recourse mortgage indebtedness of $67,272,000, secured by developed real estate properties having a carrying value of $76,595,000.

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 long-term 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.

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 10, 2011, three of our directors, Edward L. Baker, John D. Baker II and Thompson S. Baker II, beneficially own approximately 20.8% of the outstanding shares of our common stock and certain of their family members beneficially own an additional 12.4%. 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 and bylaws contain provisions that may hinder a takeover or negatively affect our stock price.
Our articles of incorporation and bylaws 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 cash and cash equivalents at times exceed FDIC insurance limits exposing us to possible losses.
In the current financial climate, the Company is monitoring the financial stability of its lending banks as well as its depository institutions. At present the Company does not foresee the necessity for changing any of these relationships but will continue to monitor conditions particularly with respect to the depository for its liquid funds. The Company places its cash and cash equivalents with high credit quality institutions. At times such amounts may exceed FDIC insurance limits.

Item 2. PROPERTIES.

Transportation Segment Properties. The Company has 20 sites for its trucking terminals in Alabama, Florida, Georgia, North Carolina, and Tennessee. The Company owns 15 of these sites and leases 5.

Mining Royalty Land Segment Construction Aggregates Properties. The following table summarizes the Company's construction aggregates locations and estimated reserves at September 30, 2011, a substantial portion of which are leased to Vulcan.

	Tons Sold in Year Ended 9/30/11 (000's)	Tons of Estimated Reserves at 9/30/11 (000's)	Approximate Acres Owned
The Company owns seven locations currently being mined in Grandin, Keuka, Newberry, Florida; Columbus, Macon, and Tyrone, Georgia;			

and Manassas, Virginia.	5,252	346,348	10,423
The Company owns six locations not currently being mined in Ft. Myers, Airgrove/ Lake County(temporary), Marion County, Astatula/Lake County, Florida; and Forest Park, Georgia.	-	73,030	3,575

These figures exclude Brooksville, Florida as the property was transferred October 4, 2006 to a joint venture with Vulcan for development. Brooksville tons sold in fiscal 2011 were 351,000 and estimated reserves were 6,077,000 at September 30, 2011.

The Ft. Myers residential property in Lee County, Florida is part of a 1,993 acre site under a long-term mining lease to Vulcan. In June, 2010 the Company entered into a letter agreement with Vulcan Materials Company that required modifications to the existing mining lease on our property, such that the mining will be accelerated and the mining plan will be revised to accommodate future construction of up to 105 residential dwelling units around the mined lakes. In return the Company agreed to grant Lee County a right of way for a road and to place a conservation easement on part of the property.

Mining Royalty Land Segment Brooksville Joint Venture. On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Vulcan Materials Company (formerly Florida Rock Industries, Inc.) to form Brooksville Quarry, LLC, a real estate joint venture to develop approximately 4,300 acres of land near Brooksville, Florida. In April 2011, the Florida Department of Community Affairs issued its Final Order approving the development of the Project. Prior to commencing development of the Project the property will need to be rezoned consistent with the approved entitlements.

Mining Royalty Land Segment Other Properties. The segment owns 2,207 acres of investment properties in Gulf Hammock, Brooksville, Palatka, and Polk County, Florida and Yatesville and Henderson, Georgia.

Developed Properties Rentals Segment. At September 30, 2011 certain developed real estate properties having a carrying value of $76,595,000 were pledged on long-term non-recourse notes with an outstanding principal balance totaling $67,272,000. At September 30, 2011, the Company owned 313 acres in 13 developed parcels of land all but one of which are 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. Five warehouse/office buildings totaling 567,473 square feet exist on the property and are 93% occupied. An agreement to lease 32,700 square feet commenced in November 2011

and increased the occupancy to 99%.

2) Lakeside Business Park in Harford County, Maryland consists of 84 usable acres. Nine warehouse/office buildings totaling 893,722 square feet exist on 70 of these acres and are 84% occupied. An agreement to lease 30,269 square feet commenced in November 2011 and increased the occupancy to 87%. The remaining 14 acres are available for future development and have the potential to offer an additional 210,230 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 to a single tenant.

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 33,708 square feet of office space, which is 40% leased including 21% of the space occupied by the Company.

7) Oregon Business Center in Anne Arundel County, Maryland contains approximately 17 acres with 195,615 square feet of warehouse/office space, which is 62% occupied. An agreement to lease 12,240 square feet commenced in October 2011 which increased the occupancy to 68%.

8) Arundel Business Center in Howard County, Maryland contains approximately 11 acres with 162,796 square feet of warehouse/office space, which is 93% 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 35% leased. Chrysler and General Motors plant closings have reduced demand for space in this market. 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.

11) Windlass Run Business Park in Baltimore County, Maryland contains 69,474 square feet of warehouse/office space completed September 30, 2008 that is currently 13% occupied. This building is contained within a larger parcel containing approximately 42 acres which when complete is estimated to include 519,824 square feet of total build-out.

12) 155 E. 21st Street in Duval County, Florida contains approximately 6 acres with 68,757 square feet of office space which is 100% leased to Vulcan.

13) Hollander 95 Business Park in Baltimore City, Maryland was purchased on October 22, 2010 and contains 82,800 square feet of warehouse/office space which is 47% leased. An additional 42 acres of partially developed land is available with the potential to offer 490,000 square feet of warehouse, office, hotel and flex buildings.

Developed Property Rentals Segment Future Planned Developments. At September 30, 2011 the Company owned the following future development parcels:

1) Windlass Run Residential (previously Bird River), located in southeastern Baltimore County, Maryland, is a 121 acre tract of land adjacent to and west of our Windlass Run Business Park. The property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain an appropriate product mix. In July 2008, the Company entered into an agreement to sell the property at a purchase price of $25,075,000 and closing was scheduled to occur in the first quarter of calendar 2012. The purchaser had placed non-refundable deposits of $1,000,000 under this contract in escrow. Preliminary approval for the development as originally contemplated was previously received and the time for any appeals from that approval has expired. In October 2011 the purchaser terminated its agreement to purchase the property and released the $1,000,000 escrow deposit to the company's subsidiary, FRP Bird River, LLC. along with all permits, engineering work, plans and other development work product with regards to the property. The Company intends to continue to complete the entitlement process for this parcel of land for residential development and will market it appropriately as the demand for residential property in this area improves in the future.

2) Patriot Business Park, located in Prince William County, Virginia, is a 73 acre tract of land which is immediately adjacent to the Prince William Parkway, which provides access to I-66. The Company plans to develop and lease approximately 733,650 square feet of warehouse/office buildings on the property. Land development efforts commenced in the summer of 2008 but were placed on hold in April 2009.

3) 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 Washington Nationals Baseball Park. The parcel was leased to a subsidiary of Vulcan Materials Company on a month-to-month basis through August 2011. In September 2011 Vulcan commenced a long term lease for a Company owned 2.1 acre tract which is nearby on the same bank of the Anacostia River. The approved planned unit development permits the Company to develop a four building, mixed use project, containing approximately 545,800 square feet of office and retail space and

approximately 569,600 square feet of additional space for residential and hotel uses. The approved development would include numerous publicly accessible open spaces and a waterfront esplanade along the Anacostia River. In November 2009, the Company received a two-year extension for commencement of this project, moving the construction commencement date to June 2013. The Company sought this extension because of negative current market indications.

In July 2011 the Company executed a Letter of Intent with MidAtlantic Realty Partners, LLC. ("MRP") for the formation of a joint venture to develop the first phase of the four-phase Master Development known as RiverFront on the Anacostia in Washington, D.C. adjacent to the Washington Nationals baseball stadium. Under the terms of the Letter of Intent the parties have agreed to seek a modification from the District of Columbia authorities to the existing approved plan for the Master Development to change phase I from an office building to residential apartments. The Letter of Intent contemplates the parties will enter into a formal joint venture agreement wherein the Company will contribute the land comprising phase I to the joint venture in return for a seventy percent (70%) interest in the venture. MRP will contribute capital in the amount necessary for the venture to qualify for a nonrecourse loan for the balance of the estimated construction costs (this MRP contribution is currently estimated to be in the approximate amount of $4,500,000). At this point the Letter of Intent contemplates commencement of construction in the spring of 2013 with lease up scheduled between September of 2014 and July of 2015. The Letter of Intent further contemplates additional incentive promotional returns to MRP but only after FRP and MRP have received a stipulated cumulative return on their contributed capital. The Letter of Intent contemplates no commitments or obligations between the parties with respect to Phases II, III and IV of the Master Development Plan. Negotiations are ongoing with MRP with regard to the final governing documents for the joint venture project.

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

5) Leister property in Hampstead, Carroll County, Maryland is a 117 acre parcel located adjacent to State Route 30 bypass. The parcel was acquired for future commercial development and is projected to contain 900,000 square feet of space when complete. This parcel is currently in a predevelopment planning stage.

Item 3. LEGAL PROCEEDINGS.

Note 12 to the Consolidated Financial Statements included in the accompanying 2011 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 497 holders of record of Patriot Transportation Holding, Inc. common stock, $.10 par value, as of September 30, 2011. 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 2011 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 2011 Annual Report to Shareholders and such information is incorporated herein by reference. Information regarding securities authorized for issuance under equity compensation plans is included in Item 12 of Part III of this Annual Report on Form 10-K and such information is incorporated herein by reference.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 through July 31	0	$ 0	0	$ 4,480,000
August 1 through August 31	0	$ 0	0	$ 4,480,000
September 1 through September 30	12,600	$ 19.82	12,600	$ 4,230,000
Total	12,600	$ 19.82	12,600	

(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. On February

19, 2008, the Board of Directors authorized management to expend up to an additional $5,000,000 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 2011 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’s Discussion and Analysis of Financial Condition and Results of Operation" on pages 7 through 13 of the Company’s 2011 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, 2011. The following table provides information about the Company’s long-term debt (dollars in thousands):

Liabilities:	2012	2013	2014	2015	2016	There after	Total	Fair Value
Scheduled maturities of long-term debt:								
Fixed Rate	$ 4,902	$5,239	$5,308	$5,379	$5,516	$40,928	$67,272	$70,386
Average interest rate	6.3%	6.3%	6.3%	6.2%	6.2%	6.2%		

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 14 through 26 of the Company's 2011 Annual Report to Shareholders. Such information is incorporated herein by reference.

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

None.

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, 2011.

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, 2011, as stated in their report which appears in Item 8.

CHANGE IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fourth quarter of 2011, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions with regards to material weaknesses.

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.

ITEM 9B. OTHER INFORMATION.

None.

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 Leadership 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, 2011.

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 *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 Leadership 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, 2011.

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, 2011.

Equity Compensation Plan Information

	Number of Securities	Weighted	Number of Securities remaining available for future issuance

Plan Category	to be issued upon exercise of outstanding options, warrants and rights (a)	Average exercise price of outstanding options, warrants and rights (b)	under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	606,025	$14.96	647,250
Equity compensation plans not approved by security holders	0	0	0
Total	606,025	$14.96	647,250

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, 2011.

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, 2011.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

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

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

(3) Exhibits.

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

SIGNATURES

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

Patriot Transportation Holding, Inc.

Date: December 7, 2011

By THOMPSON S. BAKER II
Thompson S. Baker II
President and Chief Executive Officer (Principal Executive Officer)

By JOHN D. MILTON, JR.
John D. Milton, Jr.
Executive Vice President, Treasurer, Secretary and Chief Financial Officer (Principal Financial Officer)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on December 7, 2011.

THOMPSON S. BAKER II
Thompson S. Baker II
Director, President, and Chief Executive Officer
(Principal Executive Officer)

JOHN D. MILTON, JR.
John D. Milton, Jr.
Executive 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)

JOHN D. BAKER_II
John D. Baker II
Executive Chairman

JOHN E. ANDERSON
John E. Anderson
Director

EDWARD L. BAKER_
Edward L. Baker
Director, Chairman Emeritus

CHARLES E. COMMANDER III
Charles E. Commander III
Director

LUKE E. FICHTHORN III
Luke E. Fichthorn 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, 2011
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.
(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. 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)(2)	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 September 30, 2008 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 October 7, 2008. 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.
(10)(l)	Letter Agreement between the Company and David H. deVilliers, Jr., incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended December 31, 2007. File No. 33-26115.
(10)(m)	Letter Agreement between the Company and Robert E. Sandlin, incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended December 31, 2007. File No. 33-26115.

(10)(n)	Letter Agreement between the Company and John D. Klopfenstein, incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended December 31, 2007. File No. 33-26115.
(13)	The Company's 2010 Annual Report to shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2011 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, 2011: 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); FRP Hampstead LLC (a Maryland limited liability company); FRP Hollander 95 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.
(31)(a)	Certification of Thompson S. Baker II.
(31)(b)	Certification of John D. Milton, Jr..
(31)(c)	Certification of John D. Klopfenstein.
(32)	Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

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

(a) Refers to the page number in the Company's 2011 Annual Report to Shareholders. Such information is incorporated by reference in Item 8 of this Form 10-K.

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

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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-55132, 333-125099 and 333-131475) of Patriot Transportation Holding, Inc. of our report dated December 7, 2011 relating to the consolidated financial statements and the effectiveness of Patriot Transportation Holding, Inc’s internal control over financial reporting which appears in the Annual Report to Shareholders incorporated by reference herein. We also consent to the incorporation by reference of our report dated December 7, 2011, relating to the financial statement schedules, which appear in this Form 10-K.

Hancock Askew & Co., LLP

Savannah, Georgia
December 7, 2011

REPORT 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 7, 2011 appearing in the 2011 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 7, 2011

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE II (CONSOLIDATED) - VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009

	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, 2011:					
Allowance for doubtful accounts	$ 90,770	$ 67,628	$ -	$ 40,471(a)	$ 117,927
Accrued risk Insurance:					
Tank Lines	$3,909,354	$ 1,833,845	$ -	$ 863,400	$4,879,799
SunBelt	1,109,895	(294,478)	-	785,899	29,518
Accrued health insurance	967,746	2,339,594	(4,670)(c)	2,313,372(b)	989,298
Totals - insurance	$5,986,995	$ 3,878,961	$ (4,670)	$ 3,962,671	$5,898,615
Year Ended September 30, 2010:					
Allowance for doubtful accounts	$ 196,017	$ (43,696)	$ -	$ 61,551(a)	$ 90,770
Accrued risk Insurance:					
Tank Lines	$5,093,151	$ 910,061	$ -	$ 2,093,858	$3,909,354
SunBelt	3,203,906	(441,778)	-	1,652,233	1,109,895
Accrued health insurance	1,063,326	2,692,176	10,499(c)	2,798,255(b)	967,746
Totals - insurance	$9,360,383	$ 3,160,459	$ 10,499	$ 6,544,346	$5,986,995
Year Ended September 30, 2009:					
Allowance for doubtful accounts	$ 264,999	$ 165,702	$ -	$ 234,684(a)	$ 196,017
Accrued risk Insurance:					
Tank Lines	$5,493,553	$ 1,069,706	-	$ 1,470,108	$5,093,151
SunBelt	2,721,511	2,476,591	-	1,994,196	3,203,906
Accrued health insurance	1,125,160	3,772,482	44,934(c)	3,879,250(b)	1,063,326
Totals - insurance	$9,340,224	$ 7,318,779	$ 44,934	$ 7,343,554	$9,360,383

Note: Allowance for doubtful account expense was negative in the year ended September 30, 2010 primarily due to recoveries on accounts reserved in fiscal 2009. SunBelt’s risk insurance expense for the years ended September 30, 2011 and 2010 was negative due to claims settled for less than prior estimates.

(a) Accounts written off less recoveries
(b) Payments
(c) Other comprehensive income (ASC Topic 715).

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE III (CONSOLIDATED)-REAL ESTATE & ACCUMULATED DEPRECIATION AND DEPLETION (dollars in thousands)
SEPTEMBER 30, 2011

County	Encumb-rances	Initial cost to Company	Cost capi-talized subsequent to acqui-sition	Gross amount at which carried at end of period (a)	Accumulated Depreciation & Depletion	Year Of Constr-tion	Date Acquired	Deprecia-tion Life Computed on:
Construction Aggregates								
Alachua, FL		$ 1,442	$ 0	$ 1,442	$ 128	n/a	4/86	unit
Clayton, GA		369	0	369	5	n/a	4/86	unit
Fayette, GA		685	0	685	62	n/a	4/86	unit
Lake, FL		402	0	402	146	n/a	4/86	unit
Lee, FL		4,690	6	4,696	6	n/a	4/86	unit
Monroe, GA		792	0	792	277	n/a	4/86	unit
Muscogee, GA		369	(45)	324	257	n/a	4/86	unit
Prince Wil. VA		299	0	299	298	n/a	4/86	unit
Putnam, FL		15,002	37	15,039	4,152	n/a	4/86	unit
	0	24,050	(2)	24,048	5,331			
Other Rental Property								
Wash D.C.		2,957	15,686	18,643	3,218	n/a	4/86	15 yr.
Wash D.C.		3,811	0	3,811	0	n/a	10/97	
Putnam, FL		302	19	321	304	n/a	4/86	5 yr.
Spalding, GA		20	0	20	0	n/a	4/86	
Lake, FL		1,083	0	1,083	968	n/a	4/86	unit
Marion, FL		1,180	4	1,184	599	n/a	4/86	unit
	0	9,353	15,709	25,062	5,089			
Commercial Property								
Baltimore, MD	2,190	439	3,978	4,417	2,381	2011	10/89	39 yr.
Baltimore, MD	5,159	950	6,786	7,736	3,814	2011	12/91	39 yr.
Baltimore, MD	1,767	690	2,861	3,551	1,141	2011	7/99	39 yr.
Baltimore, MD	0	5,634	12,145	17,779	393	2011	12/02	39 yr.
Baltimore City, MD	0	5,750	3,257	9,007	149	2011	12/10	39 yr.
Duval, FL	0	2,416	541	2,957	2,688	n/a	4/86	25 yr.
Harford, MD	1,591	31	3,830	3,861	1,687	1998	8/95	39 yr.
Harford, MD	2,970	50	5,657	5,707	1,927	2011	8/95	39 yr.
Harford, MD	4,421	85	7,062	7,147	2,776	2010	8/95	39 yr.
Harford, MD	0	92	1,487	1,579	0	n/a	8/95	39 yr.
Harford, MD	3,293	88	10,133	10,221	2,907	2010	8/95	39 yr.
Harford, MD	2,517	155	11,567	11,722	2,484	2011	8/95	39 yr.
Howard, MD	2,307	2,859	4,699	7,558	3,461	2011	9/88	39 yr.
Howard, MD	1,597	2,473	981	3,454	1,096	2006	3/00	39 yr.
Anne Arun, MD	1,075	715	8,122	8,837	4,778	2011	9/88	39 yr.
Anne Arun, MD	8,910	950	13,120	14,070	3,346	2010	5/98	39 yr.
Anne Arun, MD	8,480	1,525	10,800	12,325	2,101	2010	8/04	39 yr.
Anne Arun, MD	4,371	737	5,324	6,061	941	2010	1/03	39 yr.
Anne Arun, MD	0	667	9,621	10,288	767	2011	7/07	39 yr.
Norfolk, VA	6,076	7,512	0	7,512	1,557	n/a	10/04	39 yr.
Prince Wil. VA	0	7,324	6,164	13,488	0	n/a	12/05	39 yr.
Newcastle Co. DE	10,548	11,559	1,798	13,357	2,637	2010	4/04	39 yr.
Carroll, MD	0	4,720	2,243	6,963	0	n/a	3/08	n/a
	67,272	57,421	132,176	189,597	43,031			
Investment Property		2,231	315	2,546	659	n/a	4/86	n/a
GRAND TOTALS	$67,272	$93,055	$148,198	$241,253	$54,110			

(a) The aggregate cost for Federal income tax purposes is $222,014.

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE III (CONSOLIDATED) - REAL ESTATE AND ACCUMULATED DEPRECIATION AND DEPLETION
YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009
(In thousands)

	2011	2010	2009
Gross Carrying Cost of Real Estate:			
Balance at beginning of period	$225,630	221,585	210,919
Additions during period:			
Amounts capitalized	15,899	4,045	10,800
Deductions during period:			
Cost of real estate sold	(276)	-	(45)
Other (abandonments)	-	-	(89)
Balance at close of period	$241,253	225,630	221,585
Accumulated Depreciation & Depletion:			
Balance at beginning of period	$ 49,499	44,979	40,578
Additions during period:			
Charged to cost & expense	4,611	4,520	4,446
Deductions during period:			
Real estate sold	-	-	(45)
Balance at close of period	$54,110	49,499	44,979

Annual Report 2011
CONSOLIDATED FINANCIAL HIGHLIGHTS
Years ended September 30
(Amounts in thousands except per share amounts)

	2011	2010	% Change
Revenues	$120,106	111,338	7.9
Operating profit	$ 14,369	14,503	(0.9)
Income from continuing operations	$ 6,989	7,056	(0.9)
Discontinued operations, net	$ 5,222	315	1,557.8
Net income	$ 12,211	7,371	65.7
Per common share:			
Income from continuing operations:			
Basic	$ .75	.77	(2.6)
Diluted	$ .74	.75	(1.3)
Discontinued operations:			
Basic	$ .57	.03	1,800.0
Diluted	$ .55	.03	1,733.3
Net income:			
Basic	$ 1.32	.80	65.0
Diluted	$ 1.29	.78	65.4
Total Assets	$266,390	257,712	3.4
Total Debt	$ 67,272	71,860	(6.4)
Shareholders' Equity	$164,447	152,056	8.1
Common Shares Outstanding	9,288	9,278	0.1
Book Value Per Common Share	$ 17.71	16.39	8.1

BUSINESS. The Company is engaged in the transportation and real estate businesses. The Company's transportation business is conducted through a wholly owned subsidiary, Florida Rock & Tank Lines, Inc. (Tank Lines), which is a Southeastern U.S. based tank truck company concentrating in the hauling of primarily petroleum products and other liquids and dry bulk commodities. 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 mining royalty lands and commercial warehouse/office rental properties located in appropriate sub-markets in order to provide long-term positive cash flows and capital appreciation.

To Our Shareholders

Fiscal 2011 proved to be another challenging year in a continuing anemic economy. In our transportation segment we were able to grow not only our revenues but our revenue miles as well. Our headwind was a 29% year over year increase in diesel fuel prices for which our fuel surcharges was not quite able to overcome fully. We also again improved our Preventable Accident Frequency Ratio even though our fiscal 2010 ratio had been quite good.

Our Developed Property Rentals segment made record strides in signing lease commitments for vacant space, signing commitments during the year for some 592 thousand square feet of space. For us that is an all-time record accomplishment. Correspondingly our rental revenues increased as did our occupancy rate. Our management team for this segment achieved these improvements with a smaller staff and less overhead than we had engaged in recent years.

Our Mining Properties segment, on the other hand, was only able to hold its own as the demand for aggregates continued to be weak. Nevertheless, our performance here was still quite profitable and its opportunity for substantial revenue and profitability improvement remains when aggregate demand improves in our markets.

In the first quarter we were pleased to be able to complete the bargain sale of a parcel of property in Caroline County, Virginia, to the Commonwealth of Virginia, wherein we received cash of $5.2 million and donated $5.6 million as a charitable contribution primarily reflecting the underlying aggregate deposits value of $5.1 million. We were able to utilize the sale portion of this transaction as a tax-free like-kind exchange to acquire the Hollander Business Park property in Baltimore, Maryland, with one existing warehouse and numerous other commercial building sites. The substantial tax savings associated with the donation will be useable by us for fiscal 2011 plus the ensuing five taxable years.

Continuing on the performance of our discontinued operations, we were pleased to receive during the fourth quarter of fiscal 2011, prepayment in full of the promissory note received for the FY 2009 sale of the Sunbelt trucking equipment and operations. With this cash payoff we are able to report a $3,875,000 increase in cash year over year.

Turning back to the issue of taxes, we are also pleased to report that during the fiscal year we were blessed with the commencement of an audit of our fiscal year 2008 and 2009 income tax returns by the Internal Revenue Service. The good news is that immediately following the close of the fiscal year we were advised by the IRS auditors that both years would be accepted with no changes to our tax liability proposed!

On the public stock ownership front, our Board approved last December a three for one stock split for stockholders of record on January 3, 2011, which was implemented via a stock dividend on January 17, 2011. While our stock still trades on limited volume, the average volume of shares traded since the effective date of the split has increased.

TRANSPORTATION SEGMENT

Although our operating profit in Transportation was down just slightly year over year, our management team continued to make significant strides in growing our revenues, adding needed drivers, improving our Preventable Accident Frequency Ratio and improving overall team coordination to achieve Company goals and objectives through the discipline of its “ACE” (Achieve Continuous Excellence) incentive program. The biggest difference in the year over year financial performance was attributable to the addition of significant loss reserves for two separate non-preventable incidents that occurred during the last four months of the year. By contrast, in Fiscal 2010, this segment received a reduction in loss reserves that aided its profitability for the year.

Our management team is making strides in growing its business not only by adding customers in existing markets but also in expanding to new markets. In the coming year this segment will have the opportunity to expand into South Carolina and North Carolina as one of our existing customers expands its footprint and gives us the opportunity to grow with it. We will again be challenged to maintain and improve our safety performance and to improve our customer satisfaction through disciplined attention to detail.

DEVELOPED PROPERTY RENTALS

Coming off fiscal 2011's record performance in square footage leased, our Management team for this segment will again be focused on obtaining quality tenants for buildings in our portfolio that still contain vacant space. We are proud of the improvement during fiscal 2011 from a beginning 72% occupancy rate to an ending 79.8% rate, but will not be planning to construct any new speculative warehouse/office buildings until we are able to get that rate to around the 90% mark where we traditionally operated before the downturn in the markets that occurred in 2008.

We are quite proud of the new partnership with Mid-Atlantic Realty Partners LLC, who we have selected for our commencement of Phase I of our Riverfront on the Anacostia project in Washington, D.C. We are very involved at this time in preparing for execution the detailed governing documents for this venture while we pursue the amendment of our development plan with the authorities in the District of Columbia to enable Phase I to become an apartment rather than office building. We remain optimistic regarding the profit potential for this project but our management team is wisely proceeding carefully so as to preserve the overall quality and value that can be achieved for all four phases of the total project.

Following fiscal year end we were advised by the contracted purchaser for the 121 acre Bird River (now Windlass Run) residential property in southeastern Baltimore County, Maryland, that it did not intend to proceed with the project. We have received the $1 million deposit during October and received all of the permits, drawings, engineering studies and other development studies with respect to this parcel. We remain committed to the realization of true value from this property and will endeavor to complete all entitlements with respect to same in the near future so as to have it ready for subsequent marketing when residential demand returns to this area of Baltimore County.

MINING PROPERTIES SEGMENT

Although total tons sold from these properties actually increased during Fiscal 2011 over Fiscal 2010, the revenues were slightly down as our tenants shifted some tonnages from locations with a higher royalty per ton to locations with a slightly lesser royalty. In the end it is the sluggish construction materials economy that is keeping this segment from achieving its potential but we remain optimistic that as demand for the products returns, our profitability can grow significantly as average pricing for these products still remains higher than in the peak years of 2005 and 2006. Our expenses with respect to the revenue streams available from these properties are relatively low compared to our developed property rentals operations such that we continue to like the diversification afforded to our earnings through this segment.

CONCLUSION

We cannot conclude without pointing with some degree of pride to the improvement achieved in our balance sheet during the year despite historically weak economic conditions. Shareholder Equity has improved by more than $12 million dollars (from $152,056,000 to $164,447,000) and cash has increased by $3,875,000. Our conservative posture here affords us the ability to grow this Company significantly in the future when we are able to identify appropriate opportunities. In the interim we continue to work through the discipline of measuring our after-tax returns on capital employed in each of our segments to improve our returns and increase shareholder value.

As you will remember we close this letter each year with special thanks and recognition to the many men and women who work so tirelessly day-in and day-out to help us achieve our goals and objectives. Once again we take this opportunity to say to each and every one of them – “THANK YOU” – for another proud year in this Company’s history!

And now in closing we extend our special thanks to you our shareholders and customer for your continued confidence and support as we endeavor to improve our performance for another year in fiscal 2012.

Respectively yours,

John D. Baker II
Executive Chairman

Thompson S. Baker II
President & Chief Executive Officer

OPERATING PROPERTIES

Transportation. During fiscal 2011, the Company's transportation group operated through a wholly owned subsidiary, Florida Rock & Tank Lines, Inc. Tank Lines). Tank Lines is engaged in hauling petroleum and other liquid and dry bulk commodities in tank trucks.

Tank Lines operates from terminals in Jacksonville, Orlando, Panama City, Pensacola, Port Everglades, Tampa and White Springs, Florida; Albany, Atlanta, Augusta, Bainbridge, Columbus, Macon and Savannah, Georgia; Chattanooga, Knoxville and Nashville, Tennessee; Birmingham and Montgomery, Alabama; and Wilmington, North Carolina.

At September 30, 2011 the transportation group owned and operated a fleet of 415 trucks and 521 trailers plus 3 additional trucks that were being prepared for sale. During fiscal 2011, the transportation group purchased 47 new tractors, 8 used tractors, and 20 trailers. In fiscal 2009 and 2010, the Company purchased 79 new tractors. The fiscal 2012 capital budget includes 49 new tractors and 24 new trailers including binding commitments to purchase 39 tractors and 14 trailers at September 30, 2011. Maintaining a modern fleet has resulted in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. In August 2009 the Company sold its flatbed trucking company, SunBelt Transport, Inc. (SunBelt). Under the agreement, the Buyer purchased all of SunBelt's tractors and trailers and leased certain facilities.

Mining Royalty Land. The mining royalty land segment owns and seeks to acquire land with construction aggregates deposits, a substantial portion of which is leased to Vulcan Materials Company under long-term mining royalty agreements, whereby the Company is paid a percentage of the revenues generated or annual minimums. The segment also owns mining related land held for future appreciation or development. At September 30, 2011, the mining royalty land segment owned the following properties:

1) Locations currently being mined on a total of 10,423 acres include Grandin, Keuka and Newberry, Florida, Columbus, Macon and Tyrone, Georgia and Manassas, Virginia. Tons sold in 2011 totaled 5,252,000 leaving estimated reserves of 346,348,000 tons.

2) Locations under royalty agreements but not currently being mined on a total of 3,575 acres include Ft. Myers, Airgrove/Lake County, Marion County, and Astatula/Lake County Florida, and Forest Park Georgia. These sites have estimated reserves of 73,030,000 tons.

The Ft. Myers residential property in Lee County, Florida is part of a 1,993 acre site under a long-term mining lease to Vulcan. In June, 2010 the Company entered into a letter agreement with Vulcan Materials Company that required modifications to the existing mining lease on our property, such that the mining will be accelerated and the mining plan will be revised to accommodate future construction of up to 105 residential dwelling units around the mined lakes. In return the Company agreed to grant Lee County a right of way for a road and to place a conservation easement on part of the property.

3) The segment owns 2,207 acres of investment properties in Gulf Hammock, Brooksville, Palatka, and Polk County, Florida and Yatesville and Henderson, Georgia.

4) Brooksville Quarry LLC. On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Vulcan Materials Company (formerly Florida Rock Industries, Inc.) to form Brooksville Quarry, LLC, a

real estate joint venture to develop approximately 4,300 acres of land near Brooksville, Florida. In April 2011, the Florida Department of Community Affairs issued its Final Order approving the development of the Project. Prior to commencing development of the Project the property will need to be rezoned consistent with the approved entitlements.

Developed Property Rentals. The developed property rentals segment acquires, constructs, leases and manages land and commercial buildings in the Baltimore/Northern Virginia/Washington and Jacksonville, Florida area.

At September 30, 2011, the developed property rentals segment owned 313 acres in 13 developed parcels of land all but one of which are 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. Five warehouse/office buildings totaling 567,473 square feet exist on the property and are 93% occupied. An agreement to lease 32,700 square feet commenced in November 2011 and increased the occupancy to 99%.

2) Lakeside Business Park in Harford County, Maryland consists of 84 usable acres. Nine warehouse/office buildings totaling 893,722 square feet exist on 70 of these acres and are 84% occupied. An agreement to lease 30,269 square feet commenced in November 2011 and increased the occupancy to 87%. The remaining 14 acres are available for future development and have the potential to offer an additional 210,230 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 to a single tenant.

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 33,708 square feet of office space, which is 40% leased including 21% of the space occupied by the Company.

7) Oregon Business Center in Anne Arundel County, Maryland contains approximately 17 acres with 195,615 square feet of warehouse/office space, which is 62% occupied. An agreement to lease 12,240 square feet commenced in October 2011 which increased the occupancy to 68%.

8) Arundel Business Center in Howard County, Maryland contains approximately 11 acres with 162,796 square feet of warehouse/office space, which is 93% 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 35% leased. Chrysler and General Motors plant closings have reduced demand for space in this market. 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.

11) Windlass Run Business Park in Baltimore County, Maryland contains 69,474 square feet of warehouse/office space completed September 30, 2008 that is currently 13% occupied. This building is contained within a larger parcel containing approximately 42 acres which when complete is estimated to include 519,824 square feet of total build-out.

12) 155 E. 21st Street in Duval County, Florida contains approximately 6 acres with 68,757 square feet of office space which is 100% leased to Vulcan.

13) Hollander 95 Business Park in Baltimore City, Maryland was purchased on October 22, 2010 and contains 82,800 square feet of warehouse/office space which is 47% leased. An additional 42 acres of partially developed land is available with the potential to offer 490,000 square feet of warehouse, office, hotel and flex buildings.

Additionally at September 30, 2011 the developed property rentals segment owned the following parcels held for future development or appreciation:

1) Windlass Run Residential (previously Bird River), located in southeastern Baltimore County, Maryland, is a 121 acre tract of land adjacent to and west of our Windlass Run Business Park. The property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain an appropriate product mix. In July 2008, the Company entered into an agreement to sell the property at a purchase price of $25,075,000 and closing was scheduled to occur in the first quarter of calendar 2012. The purchaser had placed non-refundable deposits of $1,000,000 under this contract in escrow. Preliminary approval for the development as originally contemplated was previously received and the time for any appeals from that approval has expired. In October 2011 the purchaser terminated its agreement to purchase the property and released the $1,000,000 escrow deposit to the company's subsidiary, FRP Bird River, LLC. along with all permits, engineering work, plans and other development work product with regards to the property. The Company intends to continue to complete the entitlement process for this parcel of land for residential development and will market it appropriately as the demand for residential property in this area improves in the future.

2) Patriot Business Park, located in Prince William County, Virginia, is a 73 acre tract of land which is immediately adjacent to the Prince William Parkway, which provides access to I-66. The Company plans to develop and lease approximately 733,650 square feet of warehouse/office buildings on the property. Land development efforts commenced in the summer of 2008 but were placed on hold in April 2009.

3) 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 Washington Nationals Baseball Park. The parcel was leased to a subsidiary of Vulcan Materials Company on a month-to-month basis through August 2011. In September 2011 Vulcan commenced a long term lease for a Company owned 2.1 acre tract which is nearby on the same bank of the Anacostia River. The approved planned unit development permits the Company to develop a four building, mixed use project, containing approximately 545,800 square feet of office and retail space and approximately 569,600 square feet of additional space for residential and hotel uses. The approved development would include numerous publicly accessible open spaces and a waterfront esplanade along the Anacostia River. In November 2009, the Company received a two-year extension for commencement of this project, moving the construction commencement date to June 2013. The Company sought this extension because of negative current market indications.

In July 2011 the Company executed a Letter of Intent with MidAtlantic Realty Partners, LLC. ("MRP") for the formation of a joint venture to develop the first phase of the four-phase Master Development known as RiverFront on the Anacostia in Washington, D.C. adjacent to the Washington Nationals baseball stadium. Under the terms of the Letter of Intent the parties have agreed to seek a modification from the District of Columbia authorities to the existing approved plan for the Master Development to change phase I from an office building to residential apartments. The Letter of Intent contemplates the parties will enter into a formal joint venture agreement wherein the Company will contribute the land comprising phase I to the joint venture in return for a seventy percent (70%) interest in the venture. MRP will contribute capital in the amount necessary for the venture to qualify for a nonrecourse loan for the balance of the estimated construction costs (this MRP contribution is currently estimated to be in the approximate amount of $4,500,000). At this point the Letter of Intent contemplates commencement of construction in the spring of 2013 with lease up scheduled between September of 2014 and July of 2015. The Letter of Intent further contemplates additional incentive promotional returns to MRP but only after FRP and MRP have received a stipulated cumulative return on their contributed capital. The Letter of Intent contemplates no commitments or obligations between the parties with respect to Phases II, III and IV of the Master Development Plan. Negotiations are ongoing with FRP with regard to the final governing documents for the joint venture project.

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

5) Leister property in Hampstead, Carroll County, Maryland is a 117 acre parcel located adjacent to State Route 30 bypass. The parcel was acquired for future commercial development and is projected to contain 900,000 square feet of space when complete. This parcel is currently in a predevelopment planning stage.

Real Estate Group Property Summary Schedule at September 30, 2011 (dollars in thousands)

County	Encumb-rances	Gross Book Cost	Net Book Value	Date Acquired	Revenue Fiscal 2011
Mining Royalty Land					
Alachua, FL	$	$ 1,442	$ 1,314	4/86	$ 460
Clayton, GA		369	364	4/86	78
Fayette, GA		685	623	4/86	359
Lake, FL		402	256	4/86	63
Lake, FL		1,083	115	4/86	132
Lee, FL		4,696	4,690	4/86	366
Monroe, GA		792	515	4/86	517
Muscogee, GA		324	67	4/86	202
Prince William. VA		299	1	4/86	385
Putnam, FL		15,039	10,887	4/86	1,296
Putnam, FL		321	17	4/86	0
Spalding, GA		20	20	4/86	5
Marion, FL		1,184	585	4/86	132
Investment Property		1,823	1,164	4/86	17
Brooksville Joint Venture		7,412	7,412		249
	0	35,891	28,030		4,261
Developed Property Rentals					
Baltimore, MD	2,190	4,417	2,036	10/89	117
Baltimore, MD	5,159	7,736	3,922	12/91	1,071
Baltimore, MD	1,767	3,551	2,410	7/99	424
Baltimore, MD	0	17,779	17,386	12/02	37
Baltimore City, MD	0	9,007	8,858	12/10	253
Duval, FL	0	2,957	269	4/86	692
Duval, FL	0	723	723	4/86	0
Harford, MD	1,591	3,861	2,174	8/95	773
Harford, MD	2,970	5,707	3,780	8/95	1,169
Harford, MD	4,421	7,147	4,371	8/95	1,527
Harford, MD	0	1,579	1,579	8/95	0
Harford, MD	3,293	10,221	7,314	8/95	1,640
Harford, MD	2,517	11,722	9,238	8/95	910
Howard, MD	2,307	7,558	4,097	9/88	1,081
Howard, MD	1,597	3,454	2,358	3/00	575
Anne Arun, MD	1,075	8,837	4,059	9/88	998
Anne Arun, MD	8,910	14,070	10,724	5/98	2,140
Anne Arun, MD	8,480	12,325	10,224	8/04	1,782
Anne Arun, MD	4,371	6,061	5,120	1/03	644
Anne Arun, MD	0	10,288	9,521	7/07	294
Norfolk, VA	6,076	7,512	5,955	10/04	792
Prince Wil. VA	0	13,488	13,488	12/05	0
Newcastle Co. DE	10,548	13,357	10,720	4/04	306
Carroll, MD	- 0	6,963	6,963	3/08	0
Wash D.C.		18,643	15,425	4/86	740
Wash D.C.		3,811	3,811	10/97	79
	67,272	212,774	166,525		18,044
Grand Totals	$67,272	$248,665	$194,555		$22,305

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

	2011	2010	2009	2008	2007
Summary of Operations:					
Revenues	$120,106	111,338	114,553	129,171	111,298
Operating profit	$ 14,369	14,503	16,128	14,338	17,105
Interest expense	$ 3,346	3,928	3,482	4,551	3,878
Income from continuing operations	$ 6,989	7,056	7,908	8,493	8,737
Per Common Share:					
Basic	$ .75	.77	.87	.93	.96
Diluted	$ .74	.75	.85	.91	.93
Discontinued Operations, net	$ 5,222	315	(4,155)	(525)	768
Net income	$ 12,211	7,371	3,753	7,968	9,505
Per Common Share:					
Basic	$ 1.32	.80	.41	.88	1.05
Diluted	$ 1.29	.78	.40	.85	1.01
Financial Summary:					
Current assets	$ 34,694	31,772	29,883	41,852	60,665
Current liabilities	$ 18,232	18,095	22,367	28,611	25,571
Property and equipment, net	$208,988	198,116	199,013	197,823	176,395
Total assets	$266,390	257,712	256,854	262,040	253,530
Long-term debt	$ 62,370	67,272	71,860	76,153	80,172
Shareholders' equity	$164,447	152,056	142,408	137,355	130,461
Net Book Value Per common Share	$ 17.71	16.39	15.55	15.07	14.25
Other Data:					
Weighted average common shares - basic	9,284	9,182	9,125	9,098	9,066
Weighted average common shares - diluted	9,451	9,424	9,352	9,378	9,394
Number of employees	802	763	761	1,039	1,019
Shareholders of record	497	509	543	549	573

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

	First		Second		Third		Fourth	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues	$28,263	27,500	28,590	27,510	31,947	28,358	31,306	27,970
Operating profit	$ 3,188	3,042	3,184	3,067	4,441	4,481	3,556	3,913
Income from continuing operations	$ 1,468	1,312	1,505	1,348	2,359	2,500	1,657	1,896
Discontinued operations, net	$ 4,927	24	178	94	20	99	97	98
Net income	$ 6,395	1,336	1,683	1,442	2,379	2,599	1,754	1,994
Earnings per common share (a):								
Income from continuing operations-								
Basic	$ .16	.14	.16	.15	.25	.27	.18	.21
Diluted	$ .16	.14	.16	.14	.25	.27	.18	.20
Discontinued operations-								
Basic	$ .53	.01	.02	.01	.01	.01	.01	.01
Diluted	$ .52	.00	.02	.01	.00	.01	.01	.01
Net income-								
Basic	$ .69	.15	.18	.16	.26	.28	.19	.22
Diluted	$ .68	.14	.18	.15	.25	.28	.19	.21
Market price per common share (b):								
High	$ 32.94	32.79	32.77	31.33	28.65	29.57	26.50	26.72
Low	$ 22.44	26.56	23.91	27.66	19.99	26.67	18.33	23.38

(a) Earnings per share of common stock is computed independently for each quarter presented. The sum of the quarterly net earnings per share of common stock for a year may not equal the total for the year due to rounding differences.

(b) 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.

The Company's transportation business, Florida Rock & Tank Lines, Inc. is engaged in hauling primarily petroleum and other liquids and dry bulk commodities in tank 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 Company's real estate operations consist of two reportable segments. The Mining royalty land segment owns real estate including construction aggregate royalty sites and parcels held for investment. The Developed property rentals segment acquires, constructs, and leases office/warehouse buildings primarily in the Baltimore/Northern Virginia/Washington area and holds real estate for future development or related to its developments.

Net income was $12,211,000 or $1.29 per diluted share in fiscal 2011, an increase of 65.7% compared to $7,371,000 or $.78 per diluted share in fiscal 2010. Income from discontinued operations favorably impacted net income due to an after tax gain of $4,999,000 from the exchange of property included in fiscal 2011. Transportation segment results were lower due to two severe non-preventable incidents in the last four months of fiscal 2011 partially offset by lower health benefit claims and higher miles driven. Mining royalty land segment's results were lower due to reduced mining royalties. Developed property rentals segment's results were higher due to higher developed property occupancy offset by higher unbillable maintenance costs, professional fees and depreciation. Diluted earnings per share increased to $1.29 in fiscal 2011 from $.78 in 2010, and were $.40 in 2009.

Transportation. The Company generates transportation revenue by providing over the road hauling services for customers primarily in the petroleum products industry (Tank Lines). 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 generally pay for services based on miles driven. We also bill for other services that may include stop-offs and pump-offs. Additionally, we generally 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. Operating results are impacted by our ability to recover fuel surcharges from customers. In light of the volatility of fuel prices, it may be difficult for us to recover fuel surcharges from customers at levels that will allow us to maintain current levels of profitability. Tank Lines primarily engages in short-haul out-and-back deliveries and generally is paid for round trip miles (approximately 100 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.

Mining Royalty Land. The mining royalty land segment owns and seeks to acquire land with construction aggregates deposits, a substantial portion of which is leased to Vulcan Materials Company under long-term mining royalty agreements, whereby the Company is paid a percentage of the revenues generated or annual minimums. The segment also owns mining related land held for future appreciation or development. At September 30, 2011, the mining royalty land segment owned the following properties:

Locations currently being mined. The segment owns a total of 10,423 acres include Grandin, Keuka and Newberry, Florida, Columbus, Macon and Tyrone, Georgia and Manassas, Virginia. Tons sold in 2011 totaled 5,252,000 leaving estimated reserves of 346,348,000 tons.

Locations under royalty agreements but not currently being mined. The segment owns a total of 3,575 acres include Ft. Myers, Airgrove/Lake County, Marion County, and Astatula/Lake County Florida, and Forest Park Georgia. These sites have estimated reserves of 73,030,000 tons. The Ft. Myers residential property in Lee County, Florida is part of a 1,993 acre site under a long-term mining lease to Vulcan. In June, 2010 the Company entered into a letter agreement with Vulcan Materials Company that required modifications to the existing mining lease on our property, such that the mining will be accelerated and the mining plan will be revised to accommodate future construction of up to 105 residential dwelling units around the mined lakes. In return the Company agreed to grant Lee County a right of way for a road and to place a conservation easement on part of the property.

Investment Properties. The segment owns 2,207 acres of investment properties in Gulf Hammock, Brooksville, Palatka, and Polk County, Florida and Yatesville and Henderson, Georgia.

Brooksville Quarry LLC. On October 4, 2006, a subsidiary of the Company (FRP) entered into a Joint Venture Agreement with Vulcan Materials Company (formerly Florida Rock Industries, Inc.) 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 contributed its fee interest in approximately 3,443 acres formerly leased to Vulcan under a long-term mining lease which had a net book value of $2,548,000. Vulcan 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 $240,000 of such royalties in fiscal 2011 and $231,000 in fiscal 2010. Allocated depletion expense of $7,000 was included in real estate cost of operations for fiscal 2011. FRP also contributed $3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel. Vulcan also contributed 553 acres that it owned as well as its leasehold interest in the 3,443 acres that it leased from FRP. The joint venture is jointly controlled by Vulcan and FRP, and they each had a mandatory obligation to fund additional capital contributions of up to $2,265,000. Capital contributions of $2,109,000 have been made by each party as of September 30, 2011. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to FRP. Other income for fiscal 2011 includes a loss of $39,000 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. In August 2010, the Company received final development approvals from the Hernando County Board of County Commissioners for the proposed project. In September 2010, Hernando County transmitted, as required by state law, the entire approval package to the State Department of Community Affairs (DCA) for a determination of whether the approval package is in compliance with state and local laws. In October 2010, the DCA issued a finding of “not in compliance” with a list of suggested remedial actions which could be taken to bring the approval package into compliance. In April 2011, the Florida Department of Community Affairs issued its Final Order approving the development of the Project. Prior to commencing development of the Project the property will need to be rezoned consistent with the approved entitlements.

Discontinued Operation. In December 2010, a subsidiary of the Company, Florida Rock Properties, Inc., closed a bargain sale of approximately 1,777 acres of land in Caroline County, Virginia, to the Commonwealth of Virginia, Board of Game and Inland Fisheries. The purchase price for the property was $5,200,000 and expenses of the sale were $259,000. The Company also donated $5,599,000 primarily for the value of minerals and aggregates and recognized a $2,126,000 permanent tax benefit. The $2,126,000 permanent tax benefit was recorded to income taxes receivable for $303,000 and offset to long-term deferred tax liabilities of $1,823,000. Actual realization of the $1,823,000 in deferred taxes will depend on taxable income, income tax rates, and income tax regulations over the 5 year carry forward period. The Company's book value of the property was $276,000. The Caroline County property has been accounted for as a discontinued operation and all periods presented have been restated accordingly. The Company used all the proceeds in a 1031 exchange to purchase Hollander 95 Business Park in a foreclosure sale auction through a qualified intermediary. Hollander 95 Business Park, in Baltimore City, Maryland, closed on October 22, 2010 by a 1031 intermediary for a purchase price totaling $5,750,000. This property consists of an existing 82,800 square foot warehouse building (46.9% occupied) with an additional 42 acres of partially developed land with a development capacity of 490,000 square feet (a mix of warehouse, office, hotel and flex buildings).

Developed Property Rentals. The developed property rentals segment acquires, constructs, leases and manages land and commercial buildings in the Baltimore/Northern Virginia/Washington and Jacksonville, Florida area.

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.

Operating profit from the leasing of developed buildings has been unfavorably impacted by three newer buildings brought into service since September 2008 along with two nearly vacant buildings in Delaware impacted by automobile plant closings and the residential housing downturn. Occupancy has increased from 72.0% to 79.8% over last fiscal year end as the market for new tenants appears to have improved and traffic for vacant space has increased. The Company is not presently engaged in the construction of any new buildings.

The following table shows the total developed square footage and occupancy rates of our flex office/warehouse and office parks at September 30, 2011:

Development	Location	Total Sq. feet	% Occupied
Hillside	Anne Arundel Co., MD	567,473	93.0%
Lakeside	Harford Co., MD	893,722	84.0%
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	33,708	40.2%
Oregon	Anne Arundel Co., MD	195,615	61.6%
Arundel	Howard Co., MD	162,796	92.7%
Interchange	New Castle Co., DE	303,006	34.7%
Azelea Garden	Norfolk, VA	188,093	100.0%
Windlass Run	Baltimore Co., MD	69,474	12.5%
21st Street	Duval Co., FL	68,757	100.0%
Hollander 95	Baltimore City, MD	82,800	46.9%
		2,927,161	79.8%

Average occupancy in fiscal 2011 was 78.6% compared to 73.8% in fiscal 2010 and 84.1% in fiscal 2009. Excluding buildings in service less than 12 months average occupancy in fiscal 2011 was 79.2% compared to 75.8% in fiscal 2010 and 91.0% in fiscal 2009.

In addition to the completed buildings, land is available at these parks to construct additional buildings at Lakeside Business Park (210,230 square feet), Windlass Run (450,300 square feet), Interchange (93,600 square feet), and Hollander 95 (490,000 square feet).

As of September 30, 2011, leases at our properties representing approximately 13%, 12%, 6%, 18% and 3% of the total square footage of buildings completed prior to September 2011 were scheduled to expire in fiscal year 2012, 2013, 2014, 2015 and 2016, respectively. There is currently vacant space in the portfolio. Leasing or renewing these spaces will be critical to future financial results.

Properties held for future development include:

Windlass Run Residential (previously Bird River), located in southeastern Baltimore County, Maryland, is a 121 acre tract of land adjacent to and west of our Windlass Run Business Park. The property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain an appropriate product mix. In July 2008, the Company entered into an agreement to sell the property at a purchase price of $25,075,000 and closing was scheduled to occur in the first quarter of calendar 2012. The purchaser had placed non-refundable deposits of $1,000,000 under this contract in escrow. Preliminary approval for the development as originally contemplated was previously received and the time for any appeals from that approval has expired. In October 2011 the purchaser terminated its agreement to purchase the property and released the $1,000,000 escrow deposit to the company’s subsidiary, FRP Bird River, LLC. along with all permits, engineering work, plans and other development work product with regards to the property. The Company intends to continue to complete the entitlement process for this parcel of land for residential development and will market it appropriately as the demand for residential property in this area improves in the future.

Patriot Business Park, located in Prince William County, Virginia, is a 73-acre tract of land, which is immediately adjacent to the Prince William Parkway, which provides access to I-66. The Company plans to develop and lease approximately 733,650 square feet of warehouse/office buildings on the property. Land development efforts commenced in the spring of 2008 but were placed on hold in April 2009.

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 Washington Nationals Baseball Park. The parcel was leased to a subsidiary of Vulcan Materials Company on a month-to-month basis through August 2011. In September 2011 Vulcan commenced a long term lease for a Company owned 2.1 acre tract which is nearby on the same bank of the Anacostia River. In May 2008, the Company received final approval from the Zoning Commission of the District of Columbia of its planned unit development application for the Company's 5.8 acre undeveloped waterfront site on the Anacostia River in Washington, D.C. The approved planned unit development permits the Company to develop a four building, mixed use project, containing approximately 545,800 square feet of office and retail space and approximately 569,600 square feet of additional space for residential and hotel uses. The approved development would include numerous publicly accessible open spaces and a waterfront esplanade along the Anacostia River. In November 2009, the Company received a two-year extension for commencement of this project, moving the construction commencement date to June 2013. The Company sought this extension because of negative current market indications.

In July 2011 the Company executed a Letter of Intent with MidAtlantic Realty Partners, LLC. (“MRP”) for the formation of a joint venture to develop the first phase of the four-phase Master Development known as RiverFront on the Anacostia in Washington, D.C. adjacent to the Washington Nationals baseball stadium. Under the terms of the Letter of Intent the parties have agreed to seek a modification from the District of Columbia authorities to the existing approved plan for the Master Development to change phase I from an office building to residential apartments. The Letter of Intent contemplates the parties will enter into a formal joint venture agreement wherein the Company will contribute the land comprising phase I to the joint venture in return for a seventy percent (70%) interest in the venture. MRP will contribute capital in the amount necessary for the venture to qualify for a nonrecourse loan for the balance of the estimated construction costs (this MRP contribution is currently estimated to be in the approximate amount of $4,500,000). At this point the Letter of Intent contemplates commencement of construction in the spring of 2013 with lease up scheduled between September of 2014 and July of 2015. The Letter of Intent further contemplates additional incentive promotional returns to MRP but only after FRP and MRP have received a stipulated cumulative return on their contributed capital. The Letter of Intent contemplates no commitments or obligations between the parties with respect to Phases II, III and IV of the Master Development Plan. Negotiations are ongoing with FRP with regard to the final governing documents for the joint venture project.

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

Leister property in Hampstead, Carroll County, Maryland is a 117 acre parcel located adjacent to State Route 30 bypass. The parcel was acquired for future commercial development and is projected to contain 900,000 square feet of space when complete. This parcel is currently in a predevelopment planning stage.

COMPARATIVE RESULTS OF OPERATIONS

Transportation

(dollars in thousands)	Fiscal Years ended September 30 2011	%	2010	%	2009	%
Transportation revenue	$ 80,128	82%	77,478	86%	81,570	89%
Fuel surcharges	17,673	18%	12,159	14%	9,850	11%

Revenues	97,801	100%	89,637	100%	91,420	100%
Compensation and benefits	34,811	36%	33,699	37%	35,631	39%
Fuel expenses	22,405	23%	16,828	19%	14,777	16%
Insurance and losses	7,091	7%	6,432	7%	6,712	7%
Depreciation expense	6,154	6%	5,995	7%	6,502	7%
Other, net	9,943	10%	9,636	11%	8,684	10%
Sales, general & administrative	7,795	8%	7,331	8%	7,646	8%
Allocated corporate expenses	1,574	2%	1,480	2%	1,617	2%
Cost of operations	89,773	92%	81,401	91%	81,569	89%
Operating profit	$ 8,028	8%	8,236	9%	9,851	11%

Revenues 2011 vs 2010 – Transportation revenues were $97,801,000 in 2011, an increase of $8,164,000 or 9.1% over 2010. Revenue miles in fiscal 2011 were up 4.6% compared to 2010 due to business growth and a longer average haul length. Fuel surcharge revenue increased $5,514,000. Excluding fuel surcharges, revenue per mile decreased 1.3% over 2010 due to a longer average haul length. The average price paid per gallon of diesel fuel increased by $.76 or 29.0% over 2010.

Revenues 2010 vs 2009 – The Company announced on January 6, 2010 that the transportation group had been unsuccessful in renewing contracts with customers that represented approximately 11.0% of transportation group revenue in fiscal 2009. The Company successfully replaced the majority of the lost business with new business obtained in the remainder of fiscal 2010. Nevertheless, revenue miles in 2010 were down 3.1% compared to fiscal 2009 due to the time involved in replacing the lost business along with lower demand and a more competitive economic climate. Approximately 3.3% of miles during fiscal 2010 were from services related to the contracts that were not renewed. Transportation revenues were $89,637,000 in 2010, a decrease of $1,783,000 or 2.0% over 2009. Fuel surcharge revenue increased $2,309,000. Excluding fuel surcharges, revenue per mile decreased 2.1% over 2009 due to lower revenue per mile on certain replacement business partially offset by a shorter average haul length in the first six months of fiscal 2010. The average price paid per gallon of diesel fuel increased by $.36 or 15.8% over 2009.

Expenses 2011 vs 2010 – The Transportation segment’s cost of operations was $89,773,000 in 2011, an increase of $8,372,000 over 2010. The Transportation segment’s cost of operations in 2011 as a percentage of revenue was 92% versus 91% in 2010. Compensation and benefits increased $1,112,000 or 3.3% in 2011 primarily due to the increase in miles driven. Fuel surcharge revenue increased $5,514,000 while fuel cost increased by $5,577,000 leaving a negative impact to operating profit of $63,000. Insurance and losses increased $659,000 compared to 2010 due to two severe non-preventable incidents in the last four months of fiscal 2011 partially offset by lower health benefit claims. Depreciation expense increased $159,000 due to more trucks in service. Other expense increased $307,000 due to higher vehicle repair costs and increased miles driven. Selling general and administrative costs increased $464,000 or 6.3% compared to 2010 due to increased staffing costs. Allocated corporate expenses increased $94,000.

Expenses 2010 vs 2009 – The Transportation segment’s cost of operations was $81,401,000 in 2010, a decrease of $168,000 over 2009. The Transportation segment’s cost of operations in 2010 as a percentage of revenue was 91% versus 89% in 2009. Compensation and benefits decreased $1,932,000 or 5.4% in 2010 due to the decrease in miles driven, change in the mix of business and lower driver turnover related pay. Fuel surcharge revenue increased $2,309,000 while fuel cost increased by $2,051,000. Insurance and losses decreased $280,000 compared to 2009 due to a $314,000 decrease in group health expense. Depreciation expense decreased $507,000 due to fewer trucks in service and existing trailers becoming fully depreciated. Other expense increased $952,000 primarily due to lower gains on equipment sales partially due to reduced market values of used equipment. Selling general and administrative costs decreased $315,000 or 4.1% compared to 2009 due to increased capitalization of labor. Allocated corporate expenses decreased $137,000 due to reduced allocation to the Transportation segment as a result of the sale of SunBelt.

Mining Royalty Land

(dollars in thousands)	Fiscal Years ended September 30 2011	%	2010	%	2009	%
Mining royalty land revenue	$ 4,261	100%	4,510	100%	5,067	100%
Property operating expenses	492	12%	537	12%	713	14%
Depreciation and depletion	111	3%	103	2%	134	2%
Management company indirect	151	3%	174	4%	192	4%
Allocated corporate expense	650	15%	588	13%	551	11%
Cost of operations	1,404	33%	1,402	31%	1,590	31%
Operating profit	$ 2,857	67%	3,108	69%	3,477	69%

Revenues 2011 vs 2010 – Mining royalty land segment revenues for fiscal 2011 were $4,261,000, a decrease of $249,000 or 5.5% compared to $4,510,000 in 2010 due to a shift in tons sold in northern Georgia to a quarry with a lower royalty.

Revenues 2010 vs 2009 – Mining royalty land segment revenues for fiscal 2010 were $4,510,000, a decrease of $557,000 or 11.0% compared to $5,067,000 in 2009 due to a $594,000 decrease in revenues from timber sales.

Expenses 2011 vs 2010 – The mining royalty land segment’s cost of operations increased $2,000 to $1,404,000 in 2011, compared to $1,402,000 in 2010. Property operating expenses decreased $45,000 due to lower professional fees. Depreciation and depletion expenses increased $8,000 due to an increase in mined tons. Management Company indirect expenses (excluding internal allocations for lease related property management fees) decreased $23,000. Allocated corporate expenses increased $62,000.

Expenses 2010 vs 2009 – The mining royalty land segment’s cost of operations decreased $188,000 to $1,402,000 in 2010, compared to $1,590,000 in 2009. Property operating expenses decreased $176,000 due to lower maintenance and other costs. Depreciation and depletion expenses decreased $31,000 due to reduced tons mined. Management Company indirect expenses (excluding internal allocations for lease related property management fees) decreased $18,000 due to reduced salaries from the staffing level adjustments completed during fiscal 2009. Allocated corporate expenses increased $37,000.

Developed Property Rentals

(dollars in thousands)	Fiscal Years ended September 30 2011	%	2010	%	2009	%
Developed property rentals revenue	$ 18,044	100%	17,191	100%	18,066	100%
Property operating expenses	5,578	31%	5,436	32%	5,072	28%
Depreciation and depletion	5,230	29%	5,061	29%	5,081	28%

Management company indirect	1,362	8%	1,568	9%	1,731	10%
Allocated corporate expense	975	5%	883	5%	826	4%
Cost of operations	13,145	73%	12,948	75%	12,710	70%
Operating profit	$ 4,899	27%	4,243	25%	5,356	30%

Revenues 2011 vs 2010 – Developed property rentals segment revenues increased $853,000 or 5.0% in 2011 to $18,044,000 due to higher occupancy partly offset by reduced tenant reimbursements for snow removal.

Revenues 2010 vs 2009 – Developed property rentals segment revenues decreased $875,000 or 4.8% in 2010 to $17,191,000 due to reduced occupancy partly offset by a $376,000 increase in tenant reimbursements for snow removal.

Expenses 2011 vs 2010 – Developed property segment's cost of operations increased to $13,145,000 in 2011, compared to $12,948,000 in 2010. Property operating expenses increased $142,000 due to higher maintenance costs, utilities, professional fees and property taxes partially offset by a $505,000 reduction in snow removal costs. Depreciation and amortization increased $169,000 due to the purchase of a building. Management Company indirect expenses (excluding internal allocations for lease related property management fees) decreased $206,000 due to reduced salaries. Allocated corporate expenses increased $92,000.

Expenses 2010 vs 2009 – Developed property segment's cost of operations increased to $12,948,000 in 2010, compared to $12,710,000 in 2009. Property operating expenses increased $364,000 due to higher property taxes and increased snow removal expenses. Depreciation and amortization decreased $20,000 due to lower commission amortization. Management Company indirect expenses (excluding internal allocations for lease related property management fees) decreased $163,000 due to reduced salaries from the staffing level adjustments completed during fiscal 2009. Allocated corporate expenses increased $57,000 due to increase allocation to the real estate segment resulting from the sale of SunBelt.

Consolidated Results

Operating Profit **-** Consolidated operating profit was $14,369,000 in fiscal 2011 compared to $14,503,000, a decrease of .9%. Operating profit in the transportation segment decreased $208,000 or 2.5% due to two severe non-preventable incidents in the last four months of fiscal 2011 partially offset by lower health benefit claims and higher miles driven. Operating profit in the mining royalty land segment decreased $251,000 or 8.1% due to reduced mining royalties. Operating profit in the Developed property rentals segment increased $656,000 or 15.5% due to higher occupancy of developed properties offset by higher unbillable maintenance costs, professional fees and depreciation. Consolidated operating profit includes corporate expenses not allocated to any segment in the amount of $1,415,000 in fiscal 2011, an increase of $331,000 compared to the same period last year due to depreciation and an adjustment to the fair value of the corporate aircraft of $411,000 partially offset by lower stock compensation. Consolidated operating profit was $14,503,000 in 2010 compared to $16,128,000 in 2009 a decrease of 10.1%.

Interest income and other – Interest income and other in fiscal 2011 decreased $143,000 due to the prepayment of the note receivable from the sale of SunBelt Transport, Inc. Fiscal 2010 was $356,000 higher than 2009 due to the note receivable from the sale of SunBelt Transport, Inc. in August 2009.

Interest expense – Interest expense for fiscal 2011 decreased $582,000 over 2010 due to declining mortgage interest expense and higher capitalized interest.

Income taxes – Income tax expense for 2011 increased $335,000 over 2010 due to higher earnings and the balance due to smaller amounts of tax credits funded by legislative action related to fiscal 2008 and 2009 expenditures and a smaller reduction in uncertain tax positions related to the expiration of statutes of limitation than the same items in the prior year. Income tax expense for 2010 decreased $859,000 over 2009 due to decreased earnings, a tax credit of $116,000 funded by legislative action related to fiscal 2008 expenditures, lower non-deductible expenses and lower than estimated state income taxes.

Income from continuing operations – Income from continuing operations was $6,989,000 or $.74 per diluted share in 2011, a decrease of .9% compared to $7,056,000 or $.75 per diluted share in 2010. Income from continuing operations was $7,056,000 or $.75 per diluted share in 2010, a decrease of 10.8% compared to $7,908,000 or $0.85 per diluted share in 2009.

Discontinued operations – The after tax income from discontinued operations was $5,222,000 or $.55 per diluted share in fiscal 2011 which included a book gain on the exchange of property of $4,999,000 after tax or $.53 per diluted share. The after tax income from discontinued operations was $315,000 or $.03 per diluted share in fiscal 2010 as a result of favorable insurance reserve adjustments compared to a loss of $4,155,000 or $.45 per diluted share in fiscal 2009. Fiscal 2009 includes a loss on the sale of SunBelt’s trucking operation of $2,316,000 after tax or $.25 per diluted share.

Net income – Net income was $12,211,000 or $1.29 per diluted share in fiscal 2011, an increase of 65.7% compared to $7,371,000 or $.78 per diluted share in fiscal 2010. Income from discontinued operations favorably impacted net income due to an after tax gain of $4,999,000 from the exchange of property included in fiscal 2011. Transportation segment results were lower due to two severe non-preventable incidents in the last four months of fiscal 2011 partially offset by lower health benefit claims and higher miles driven. Mining royalty land segment’s results were lower due to reduced mining royalties. Developed property rentals segment’s results were higher due to higher developed property occupancy offset by higher unbillable maintenance costs, professional fees and depreciation. Diluted earnings per share increased to $1.29 in fiscal 2011 from $.78 in 2010, and were $.40 in 2009.

LIQUIDITY AND CAPITAL RESOURCES

For fiscal 2011, the Company used cash provided by operating activities of continuing operations of $21,243,000, proceeds received on notes of $5,620,000, proceeds from the sale of plant, property and equipment of $763,000, proceeds from the exercise of employee stock options of $538,000, excess tax benefits from the exercise of stock options of $322,000 and cash balances to purchase $6,743,000 in transportation equipment, to purchase Hollander 95 Business Park for $1,222,000 (net of 1031 exchange of $4,941,000), to expend $9,907,000 in real estate development, to invest $114,000 in the Brooksville Joint Venture, to make $4,588,000 scheduled principal payments on long-term debt and to repurchase Company stock for $1,395,000. Cash used in operating activities of discontinued operations was $642,000. Cash increased $3,875,000.

Cash flows from operating activities for fiscal 2011 were $7,252,000 higher than the same period last year primarily due to large income tax payments last year related to the sale of SunBelt and lower insurance payments.

Cash flows used in investing activities for fiscal 2011 were $2,423,000 higher than the same period last year primarily reflecting the purchase and development of Hollander 95 Business Park (net of 1031 exchange of $4,941,000) and increased tenant improvement construction offset by proceeds on notes receivable related to the sale of SunBelt.

Cash flows from financing activities for fiscal 2011 were $2,302,000 higher than fiscal 2010 due to repurchases of Company stock for $1,395,000, lower stock options exercised and an increase in mortgage principal payments.

For fiscal 2010, the Company used cash provided by operating activities of continuing operations of $14,390,000, proceeds received on notes of $1,185,000, proceeds from the sale of plant, property and equipment of $833,000, proceeds from the exercise of employee stock options of $732,000, and excess tax benefits from the exercise of stock options of $740,000 to purchase $6,568,000 in transportation equipment, to expend $4,135,000 in real estate development, to invest $495,000 in the Brooksville Joint Venture and to make $4,293,000 scheduled principal payments on long-term debt. Cash used in operating activities of discontinued operations was $1,041,000. Cash increased $1,348,000. Cash flows from operating activities for fiscal 2010 were $11,624,000 lower than the same period in 2009 primarily due to lower revenues, payment of retained SunBelt liabilities, higher income tax payments related to the sale of SunBelt, overpayment of income taxes, and deposit on real estate. Also, the same period in 2009 included an unusually large decrease in accounts receivable both in continuing operations and discontinued operations resulting from lower fuel surcharge revenues. Cash flows used in investing activities for fiscal 2010 were $4,200,000 lower than fiscal 2009 due to decreased real estate development. Cash flows from financing activities for fiscal 2010 were $747,000 lower than fiscal 2009 due to increased stock options exercised by employees offset by an increase of $274,000 in mortgage principal payments.

In August 2009 the Company sold its flatbed trucking company, SunBelt Transport, Inc. ("SunBelt"). The purchase price received for the tractors and trailers and inventories was a $1 million cash payment and the delivery of a Promissory Note requiring 60 monthly payments of $130,000 each including 7% interest, secured by the assets of the business conveyed. Proceeds from the sale of equipment of $923,000 and extra payments of $2,249,000 were partial prepayments to the note in fiscal 2011. This note was paid in full as of September 30, 2011. The Company retained all pre-closing receivables and liabilities. SunBelt has been accounted for as discontinued operations. All periods presented have been restated accordingly.

In December 2010, a subsidiary of the Company, Florida Rock Properties, Inc., closed a bargain sale of approximately 1,777 acres of land in Caroline County, Virginia, to the Commonwealth of Virginia, Board of Game and Inland Fisheries. The purchase price for the property was $5,200,000 and expenses of the sale were $259,000. The Company also donated $5,599,000 primarily for the value of minerals and aggregates and recognized a $2,126,000 permanent tax benefit. The $2,126,000 permanent tax benefit was recorded to income taxes receivable for $303,000 and offset to long-term deferred tax liabilities of $1,823,000. Actual realization of the $1,823,000 in deferred taxes will depend on taxable income, income tax rates, and income tax regulations over the 5 year carry forward period. The Company's book value of the property was $276,000. The Caroline County property has been accounted for as a discontinued operation and all periods presented have been restated accordingly. The Company used all the proceeds in a 1031 exchange to purchase Hollander 95 Business Park in a foreclosure sale auction through a qualified intermediary. Hollander 95 Business Park, in Baltimore City, Maryland, closed on October 22, 2010 by a 1031 intermediary for a purchase price totaling $5,750,000. This property consists of an existing 82,800 square foot warehouse building (46.9% occupied) with an additional 42 acres of partially developed land with a development capacity of 490,000 square feet (a mix of warehouse, office, hotel and flex buildings).

The Company has a $37,000,000 uncollaterized Revolving Credit Agreement which was renewed on October 1, 2008 to extend the term until December 31, 2013 and to amend the loan covenants. The Revolver contains limitations including limitations on paying cash dividends. As of September 30, 2011 letters of credit in the amount of $12,112,000 were issued under the Revolver. As of September 30, 2011, $24,888,000 of the line was available for borrowing and $51,439,000 of consolidated retained earnings was available for the payment of dividends. The Company was in compliance with all covenants as of September 30, 2011.

The Company had $12,112,000 of irrevocable letters of credit outstanding at September 30, 2011. Most of the letters of credit are irrevocable for a period of one year and are automatically extended for additional one-year periods until notice of non-renewal is received by the issuing bank not less than thirty days before the expiration date. These were issued for insurance retentions and to guarantee certain obligations to state agencies related to real estate development. The Company issued replacement letters of credit through the Revolver to reduce fees.

The Board of Directors has authorized management to repurchase shares of the Company's common stock from time to time as opportunities may arise. During fiscal 2011 the Company repurchased 54,600 shares for $1,395,000. No shares were repurchased during fiscal 2010. At September 30, 2011 the Company had $4,230,000 authorized for future repurchases of common stock.

The Company has committed to make an additional capital contribution of up to $156,000 to Brooksville Quarry, LLC in connection with a joint venture with Vulcan (see Transactions with Vulcan Materials Company).

The Company currently expects its fiscal 2012 capital expenditures to be approximately $20,979,000 ($11,861,000 for real estate development expansion, $9,118,000 for transportation segment expansion and replacement equipment). Depreciation and depletion expense is expected to be approximately $11,948,000.

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 and Intangible Assets. 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 periodically reviews property and equipment and intangible assets for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. The review of real estate group assets consists of comparing cap rates on recent cash flows and market value estimates to the carrying values of each asset group. If this review indicates the carrying value might exceed fair value then an estimate of future cash flows for the remaining useful life of each property is prepared considering anticipated vacancy, lease rates, and any future capital expenditures. The Company's estimated holding period for developed buildings with current vacancies is long enough that the undiscounted cash flows exceed the carrying value of the properties and thus no impairment loss is recorded. The review of the transportation group assets consists of a review of future anticipated results considering business prospects and asset utilization. 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 assets with the fair value of the assets generally based upon an estimate of the discounted future cash flows expected with regards to the assets and their eventual disposition as the measure of fair value. 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 development 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 up to the amount of the policy limits. 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 at least 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. The liability at any point in time depends upon the relative ages and amounts of the individual open claims. There is a reasonable possibility that the Company's estimate of this liability for the transportation group or discontinued operations may be understated or overstated but the possible range can not be estimated.

Income Taxes. The Company accounts for income taxes under the asset-and-liability method. Deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which the related tax expense or benefit has already been recorded in our statement of earnings. Deferred tax accounts arise as a result of timing differences between when items are recognized in the Consolidated Financial Statements compared with when they are recognized in the tax returns. The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent recovery is not probable, a valuation allowance is established and included as an expense as part of our income tax provision. No valuation allowance was recorded at September 30, 2011, as all deferred tax assets are considered more likely than not to be realized. Significant judgment is required in determining and assessing the impact of complex tax laws and certain tax-related contingencies on the provision for income taxes. As part of the calculation of the provision for income taxes, we assess whether the benefits of our tax positions are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we accrue the largest amount of the benefit that is more likely than not of being sustained in our consolidated financial statements. Such accruals require estimates and judgments, whereby actual results could vary materially from these estimates. Further, a number of years may elapse before a particular matter, for which an established accrual was made, is audited and resolved.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of September 30, 2011:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgages Including Interest	$ 95,260	8,997	17,707	16,652	51,904
Operating Leases	795	389	406	-	-
Purchase Commitments	6,826	6,808	9	9	-
Other Long-Term Liabilities	648	129	131	44	344
Total obligations	$103,529	16,323	18,253	16,705	52,248

As of September 30, 2011 the Company was committed to make an additional capital contribution of up to $156,000 to Brooksville Quarry, LLC in connection with a joint venture with Vulcan (see Transactions with Vulcan Materials Company) which is not included in the table above.

INFLATION

Historically, the Company has been able to recover inflationary cost increases in the transportation group through increased freight rates and fuel surcharges. 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; fuel costs and the Company’s ability to recover fuel surcharges; 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-Northern Virginia 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)

	2011	2010	2009
Revenues:			
Transportation	$ 97,801	89,637	91,420
Mining royalty land	4,261	4,510	5,067
Developed property rentals	18,044	17,191	18,066
Total revenues	120,106	111,338	114,553
Cost of operations:			
Transportation	89,773	81,401	81,569
Mining royalty land	1,404	1,402	1,590
Developed property rentals	13,145	12,948	12,710
Unallocated corporate	1,415	1,084	2,556
Total cost of operations	105,737	96,835	98,425
Operating profit:			
Transportation	8,028	8,236	9,851
Mining royalty land	2,857	3,108	3,477
Developed property rentals	4,899	4,243	5,356
Unallocated corporate	(1,415)	(1,084)	(2,556)
Total operating profit	14,369	14,503	16,128
Interest income and other	303	446	90
Equity in loss of joint venture	(39)	(2)	(6)
Interest expense	(3,346)	(3,928)	(3,482)
Income before income taxes	11,287	11,019	12,730
Provision for income taxes	4,298	3,963	4,822
Income from continuing operations	6,989	7,056	7,908
Income (loss) from discontinued operations, net	5,222	315	(4,155)
Net income	$ 12,211	7,371	3,753
Earnings per common share:			
Income from continuing operations-			
Basic	$ .75	.77	.87
Diluted	$ .74	.75	.85
Discontinued operations-			
Basic	$ .57	.03	(.46)
Diluted	$ .55	.03	(.45)
Net Income-			
Basic	$ 1.32	.80	.41
Diluted	$ 1.29	.78	.40
Number of weighted average shares (in thousands) used in computing:			
- basic earnings per common share	9,284	9,182	9,125
- diluted earnings per common share	9,451	9,424	9,352

See accompanying notes.

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

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 21,026	17,151
Accounts receivable (net of allowance for doubtful accounts of $111 and $83, respectively)	6,702	5,940
Federal and state income taxes receivable	93	930
Notes receivable	-	1,238
Inventory of parts and supplies	1,121	665
Deferred income taxes	201	-
Prepaid tires on equipment	1,381	1,246
Prepaid taxes and licenses	1,860	1,813
Prepaid insurance	2,111	2,185
Prepaid expenses, other	85	62
Assets of discontinued operations	114	542
Total current assets	34,694	31,772
Property and equipment, at cost:		
Land	100,922	93,707
Buildings	134,475	127,617
Equipment	75,731	72,062
Construction in progress	2,802	1,366
	313,930	294,752
Less accumulated depreciation and depletion	104,942	96,636
	208,988	198,116
Real estate held for investment, at cost	6,848	7,124
Investment in joint venture	7,412	7,344
Goodwill	1,087	1,087
Notes receivable	-	4,382
Unrealized rents	3,604	3,357
Other assets	3,757	4,530
Total assets	$266,390	257,712
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 3,948	3,384
Deferred income taxes	-	174
Accrued payroll and benefits	4,992	5,255
Accrued insurance	3,303	2,373
Accrued liabilities, other	1,053	994
Long-term debt due within one year	4,902	4,588
Liabilities of discontinued operations	34	1,327
Total current liabilities	18,232	18,095
Long-term debt, less current portion	62,370	67,272
Deferred income taxes	16,919	16,084
Accrued insurance	2,548	2,483
Other liabilities	1,874	1,722
Commitments and contingencies (Notes 12 and 13)		
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; none issued	-	-
Common stock, $.10 par value; 25,000,000 shares authorized; 9,288,023 and 9,278,088 shares issued and outstanding, respectively	929	928
Capital in excess of par value	38,845	37,511
Retained earnings	124,642	113,597
Accumulated other comprehensive income, net	31	20
Total shareholders' equity	164,447	152,056
Total liabilities and shareholders' equity	$266,390	257,712

See accompanying notes.

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

Cash flows from operating activities:	2011	2010	2009
Net income	$ 12,211	7,371	3,753
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	12,210	11,507	13,432
Deferred income taxes	491	683	235
Equity in loss of joint venture	39	2	6
(Gain) on sale of equipment and real estate	(363)	(325)	(1,020)
(Income) loss from discontinued operations, net	(5,222)	(315)	4,155
Stock-based compensation	704	804	868
Net changes in operating assets and liabilities:			
Accounts receivable	(762)	(654)	4,548
Inventory of parts and supplies	(456)	(49)	197
Prepaid expenses and other current assets	(131)	91	733
Other assets	(125)	(1,052)	(155)
Accounts payable and accrued liabilities	1,290	(53)	(4,612)
Income taxes payable and receivable	1,140	(3,285)	2,355
Long-term insurance liabilities and other long-term liabilities	217	(335)	(154)
Net cash provided by operating activities of continuing operations	21,243	14,390	24,341
Net cash (used in) provided by operating activities of discontinued operations	(642)	(1,041)	632
Net cash provided by operating activities	20,601	13,349	24,973
Cash flows from investing activities:			
Purchase of transportation group property and equipment	(6,743)	(6,568)	(3,298)
Investments in developed property rentals segment	(11,129)	(4,076)	(10,812)
Investments in mining royalty land segment	-	(59)	(14)
Investment in joint venture	(114)	(495)	(475)
Proceeds from the sale of property, plant and equipment	763	833	1,181
Proceeds received from Notes Receivable	5,620	1,185	-
Net cash used in investing activities of continuing operations	(11,603)	(9,180)	(13,418)
Net cash provided by investing activities of discontinued operations	-	-	38
Net cash used in investing activities	(11,603)	(9,180)	(13,380)
Cash flows from financing activities:			
Repayment of long-term debt	(4,588)	(4,293)	(4,019)
Repurchase of Company stock	(1,395)	-	-
Excess tax benefits from exercises of stock options and vesting of restricted stock	322	740	80
Exercise of employee stock options	538	732	371
Net cash (used in) financing activities of continuing operations	(5,123)	(2,821)	(3,568)
Net increase in cash and cash equivalents	3,875	1,348	8,025
Cash and cash equivalents at beginning of year	17,151	15,803	7,778
Cash and cash equivalents at end of year	$ 21,026	17,151	15,803
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net of capitalized amounts	$ 3,346	3,928	3,482
Income taxes	$ 2,411	6,043	4,077

The Company recorded a non-cash transaction from an exchange of real estate of $4,941 in December 2010 along with a related deferred tax liability of $1,792 and a $2,126 permanent tax benefit on the value of donated minerals and aggregates which was recorded as a $303 receivable and $1,823 deferred tax. The Company recorded a non-cash transaction for notes receivable from the sale of its flatbed trucking company, Sunbelt Transport, Inc. for $6,890 in August 2009.

See accompanying notes.

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

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income, net of tax	Total Share Holders Equity
Balance at October 1, 2008	9,117,258	$912	$33,932	$102,473	$38	$137,355
Exercise of stock options	31,650	3	368			371
Excess tax benefits from exercises of stock options and vesting of restricted stock			80			80
Stock option compensation			381			381
Restricted stock expense			193			193
Shares granted to Directors	12,000	1	293			294
Restricted stock forfeitures	(1,800)					
Net income				3,753		3,753
Minimum pension liability, net of $5 tax					9	9
Net actuarial loss retiree health net of $17 tax					(28)	(28)
Balance at September 30, 2009	9,159,108	$916	$35,247	$106,226	$19	$142,408
Exercise of stock options	107,100	11	721			732
Excess tax benefits from exercises of stock options and vesting of restricted stock			740			740
Stock option compensation			402			402
Restricted stock expense			48			48
Shares granted to Directors	12,000	1	353			354
Restricted stock forfeitures	(120)					
Net income				7,371		7,371
Minimum pension liability, net of $4 tax					7	7
Net actuarial loss retiree health net of $4 tax					(6)	(6)
Balance at September 30, 2010	9,278,088	$928	$37,511	$113,597	$20	$152,056
Exercise of stock options	54,035	6	532			538
Excess tax benefits from exercises of stock options and vesting of restricted stock			322			322
Stock option compensation			370			370
Shares granted to Directors	10,500	1	333			334
Share purchased and canceled	(54,600)	(6)	(223)	(1,166)		(1,395)
Net income				12,211		12,211
Minimum pension liability, net of $5 tax					8	8
Net actuarial gain retiree health net of $2 tax					3	3
Balance at September 30, 2011	9,288,023	$929	$38,845	$124,642	$31	$164,447

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - Years ended September 30

(In thousands)	2011	2010	2009
Net income	$ 12,211	7,371	3,753
Other comp. income (loss)net of tax:			
Actuarial gain retiree health	3	(6)	(28)
Minimum pension liability	8	7	9
Comprehensive income	$ 12,222	7,372	3,734

See accompanying notes.

NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

1. Accounting Policies.

ORGANIZATION - Patriot Transportation Holding, Inc. (Company) is engaged in the transportation and real estate businesses. The Company’s transportation business is conducted through its subsidiary, Florida Rock & Tank Lines, Inc. (Tank Lines). Tank Lines is a Southeastern transportation company concentrating in the hauling by motor carrier of primarily petroleum related bulk liquids and dry bulk commodities. 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.

RECLASSIFICATIONS – In connection with the presentation adopted in March, 2010 of our real estate operations as two reportable segments, two properties in Washington, D.C. and two properties in Duval County, Florida were reclassified out of the Royalties and rent division and the division was renamed the Mining royalty land segment. Historical results have been reclassified to conform to the new segment presentation. Certain reclassifications due to discontinued operations (see note 15) have been made to the 2009 financials to conform to the presentation adopted in 2010.

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 or other incentives 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.

Accounts receivable 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 estimated bad debts expense as a selling, general and administrative expense. We estimate the net collectability 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. Reserve estimates are periodically adjusted based upon surveys.

The Company recorded depreciation and depletion expenses for 2011, 2010 and 2009 of $11,548,000, $10,908,000, and $12,764,000, respectively.

The Company periodically reviews property and equipment and intangible assets for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. The review of real estate group assets consists of comparing cap rates on recent cash flows and market value estimates to the carrying values of each asset group. If this review indicates the carrying value might exceed fair value then an estimate of future cash flows for the remaining useful life of each property is prepared considering anticipated vacancy, lease rates, and any future capital expenditures. The review of the transportation group assets consists of a review of future anticipated results considering business prospects and asset utilization. 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 assets with the fair value of the assets generally based upon an estimate of the discounted future cash flows expected with regards to the assets and their eventual disposition. 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 allocation of internal costs associated with development 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 its investment in Brooksville, in which it has a voting interest of 50% and has significant influence but does not have control. 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 for losses over $250,000 per covered participant per year plus a $48,000 aggregate. The Company has established an accrued liability for the estimated cost in connection with its portion of its risk and health insurance losses incurred and reported. Claims paid by the Company are charged against the liability. Additionally, the Company maintains an accrued liability for incurred but not reported claims based on historical analysis of such claims. The method of calculating the accrual liability is subject to inherent uncertainty. If actual results are less favorable than the estimates used to calculate the liabilities, the Company would have to record expenses in excess of what has been accrued.

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. The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit. The second step is to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the amounts rely upon the determination of the probability of various possible outcomes. The Company reevaluates these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law and expiration of statutes of limitations, effectively settled issues under audit, and audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. It is the Company's policy to recognize as additional income tax expense the items of interest and penalties directly related to income taxes.

STOCK BASED COMPENSATION – The Company accounts for compensation related to share based plans by recognizing the grant date fair value of stock options and other equity-based compensation issued to employees in its income statement over the requisite employee service period using the straight-line attribution model. In addition, compensation expense must be recognized for the change in fair value of any awards modified, repurchased or cancelled after the grant date. The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model. The assumptions used in the model and current year impact is discussed in Footnote 7.

PENSION PLAN - The Company accounts for its pension plan following the requirements of FASB ASC Topic 715, "Compensation – Retirement Benefits", which 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.

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 differences between basic and diluted shares used for the calculation are 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.

Certain accounting policies and estimates are of more significance in the financial statement preparation process than others. The most critical accounting policies and estimates include the economic useful lives and salvage values of our vehicles and equipment, provisions for uncollectible accounts receivable and collectability of unrealized rents and notes receivable, estimates of exposures related to our insurance claims plans, and estimates for taxes. To the extent that actual, final outcomes are different than these estimates, or that additional facts and circumstances result in a revision to these estimates, earnings during that accounting period will be affected.

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 June 2011, accounting guidance was issued which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity. This standard is effective for periods beginning after December 15, 2011. The Company has determined that the adoption of this standard will affect the Company’s disclosures but will not have a material effect on the Company’s financial position or results of operations.

In May 2011, accounting guidance was issued which generally aligns the principles for fair value measurements and the related disclosure requirements under Generally Accepted Accounting Principles and International Financial Reporting Standards. This guidance requires additional disclosures regarding details about Level 3 fair value measurements, including quantitative information about the significant unobservable inputs used in estimating fair value, a discussion of the sensitivity of the measurement to these inputs and a description of the entity's valuation processes. Disclosures will also be needed concerning any transfers between Level 1 and 2 of the fair value hierarchy (not just significant transfers as previous guidance required) and the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. This standard is effective for periods beginning after December 15, 2011. The Company has determined that the adoption of this standard will affect the Company's disclosures but will not have a material effect on the Company's financial position or results of operations.

In September 2011, the FASB issued an amendment to the goodwill impairment guidance which provides an option for companies to use qualitative approach to test goodwill for impairment if certain conditions are not met. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. The implementation of this amended accounting guidance is not expected to have a material effect on the Company's consolidated financial position and results of operations.

2. Transactions with Vulcan Materials Company.

The Company previously may have been considered a related party to Vulcan Materials Company (Vulcan). One director of the Company was employed by Vulcan until September 17, 2010 and is related to two other Company directors.

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

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

	2011	2010	2009
Transportation	$ 3,036	2,407	1,659
Real estate	3,624	3,888	4,591
	$ 6,660	6,295	6,250

A subsidiary of the Company (FRP) has a Joint Venture Agreement with Vulcan Materials Company (formerly Florida Rock Industries, Inc.) to develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP contributed its fee interest in approximately 3,443 acres formerly leased to Vulcan under a long-term mining lease which had a net book value of $2,548,000. Vulcan 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 $240,000 of such royalties in fiscal 2011 and $231,000 in fiscal 2010. Allocated depletion expense of $7,000 was included in real estate cost of operations for fiscal 2011. FRP also contributed $3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel. Vulcan also contributed 553 acres that it owned as well as its leasehold interest in the 3,443 acres that it leased from FRP. The joint venture is jointly controlled by Vulcan and FRP, and they each had a mandatory obligation to fund additional capital contributions of up to $2,265,000. Capital contributions of $2,109,000 have been made by each party as of September 30, 2011. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to FRP. Other income for fiscal 2011 includes a loss of $39,000 representing the Company's equity in the loss of the joint venture. In April 2011, the Florida

Department of Community Affairs issued its Final Order approving the development of the Project. Prior to commencing development of the Project the property will need to be rezoned consistent with the approved entitlements.

In connection with the Joint Venture, the independent directors of the Company also approved certain extensions of lease agreements between FRP and Vulcan on Vulcan’s offices in Jacksonville, Florida, the Astatula and Marion Sand mining properties, also in Florida. The Company and Vulcan 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):

	2011	2010
Revolving credit (uncollateralized)	$ -	-
5.6% to 8.6% mortgage notes, due in installments through 2027	67,272	71,860
	67,272	71,860
Less portion due within one year	4,902	4,588
	$62,370	67,272

The aggregate amount of principal payments, excluding the revolving credit, due subsequent to September 30, 2011 is: 2012 - $4,902,000; 2013 – $5,239,000; 2014 - $5,308,000; 2015 - $5,379,000; 2016 - $5,516,000; 2017 and subsequent years - $40,928,000.

The Company has a $37,000,000 uncollaterized Revolving Credit Agreement with three banks, which matures on December 13, 2013. The Revolver bears interest at a rate of 1.00% 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. Letters of credit in the amount of $12,112,000 were issued under the Revolver. As of September 30, 2011, $24,888,000 was available for borrowing and $51,439,000 of consolidated retained earnings would be available for payment of dividends. The Company was in compliance with all covenants as of September 30, 2011.

The non-recourse fully amortizing mortgage notes payable are collateralized by real estate having a carrying value of approximately $76,595,000 at September 30, 2011.

During fiscal 2011, 2010 and 2009 the Company capitalized interest costs of $1,232,000, $952,000, and $1,707,000, respectively.

The Company had $12,112,000 of irrevocable letters of credit outstanding at September 30, 2011. 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. These were issued for insurance retentions and to guarantee certain obligations to state agencies related to real estate development.

4. Leases.

At September 30, 2011, 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	$ 24,048
Commercial property	214,659
	238,707
Less accumulated depreciation and depletion	53,451
	$185,256

The minimum future straight-lined rentals due the Company on noncancelable leases as of September 30, 2011 are as follows: 2012 - $17,706,000; 2013 - $13,620,000; 2014 - $11,873,000; 2015 - $10,199,000; 2016 - $7,903,000; 2017 and subsequent years $27,196,000.

5. Stock Split.

On December 1, 2010, the board of directors declared a 3-for-1 stock split of the Company’s common stock in the form of a stock dividend. The record date for the split was January 3, 2011 and the new shares were issued on January 17, 2011. The total authorized shares remained 25 million and par value of common stock remained unchanged at $.10 per share. All share and per share information presented has been adjusted to reflect this stock split.

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.)

	Years Ended September 30		
	2011	2010	2009
Common shares:			
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	9,284	9,182	9,125
Common shares issuable under share based payment plans which are potentially dilutive	167	242	227
Common shares used for diluted earnings per common share	9,451	9,424	9,352
Net income	$12,211	7,371	3,753
Earnings per common share			
Basic	$1.32	.80	.41
Diluted	$1.29	.78	.40

For 2011, 2010 and 2009, 140,370, 111,210 and 84,000 shares, respectively, attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For 2010 and 2009, 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.

The Company has two Stock Option Plans (the 2000 Stock Option Plan and the 2006 Stock Option Plan) under which options for shares of common stock were granted to directors, officers and key employees. The 2006 plan permits the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, or stock awards. The options awarded under the plans have similar characteristics. All stock options are non-qualified and expire ten years from the date of grant. Stock based compensation awarded to directors, officers and employees are exercisable immediately or become exercisable in cumulative installments of 20% or 25% 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, 15,960 shares of restricted stock were granted subject to forfeiture restrictions, tied to continued employment that lapsed 25% annually beginning on January 1, 2007 and were fully vested on January 1, 2010. The number of common shares available for future issuance was 647,250 at September 30, 2011.

The Company utilizes the Black-Scholes valuation model for estimating fair value of stock compensation for options awarded to officers and employees. Each grant is evaluated based upon assumptions at the time of grant. The assumptions were no dividend yield, expected volatility between 37% and 53%, risk-free interest rate of 1.5% to 4.9% and expected life of 4.0 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 is estimated based on the Company’s historical experience over a period equivalent to the expected life in years. The risk-free interest rate is 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 is based on the observed and expected time to exercise options by the employees.

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

	Years Ended September 30		
	2011	2010	2009
Stock option grants	$ 370	402	381
Restricted stock awards granted in 2006	-	48	193
Annual non-employee Director stock award	334	354	294
	704	804	868

A summary of changes in outstanding options is presented below:

Options	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (yrs)	Weighted Average Grant Date Fair Value (000’s)
Outstanding at				
October 1, 2008	696,240	$11.24	5.0	$ 3,900
Granted	54,000	$24.81		$ 556
Exercised	(31,650)	$11.73		$ 180
Forfeited	(4,800)	$13.28		
Outstanding at				
September 30, 2009	713,790	$12.23	4.5	$ 4,246
Granted	27,210	$32.16		$ 349
Exercised	(107,100)	$ 6.83		$ 389

Forfeited	-	$ -		
Outstanding at September 30, 2010	633,900	$14.00	4.1	$ 4,206
Granted	29,160	$25.60		$ 293
Exercised	(54,035)	$ 9.95		$ 274
Forfeited	(3,000)	$ 5.84		$ 9
Outstanding at September 30, 2011	606,025	$14.96	3.5	$ 4,216
Exercisable at September 30, 2011	524,197	$13.08	2.8	$ 3,295
Vested during Twelve months ended September 30, 2011	28,242			$ 298

The following table summarizes information concerning stock options outstanding at September 30, 2011:

Range of Exercise Prices per Share	Shares under Option	Weighted Average Exercise Price	Weighted Average Remaining Life
Non-exercisable:			
$18.01 - $27.00	54,060	25.12	8.3
$27.01 - $32.16	27,768	30.16	7.5
	81,828	$27.01	8.1 years
Exercisable:			
$ 5.75 - $ 8.00	105,605	7.40	1.0
$ 8.01 - $12.00	210,000	10.10	2.0
$12.01 - $18.00	126,050	14.75	3.3
$18.01 - $27.00	53,100	22.81	6.2
$27.01 - $32.16	29,442	30.07	7.3
	524,197	$13.08	2.8 years
Total	606,025	$14.96	3.5 years

The aggregate intrinsic value of exercisable in-the-money options was $4,167,000 and the aggregate intrinsic value of outstanding in-the-money options was $4,167,000 based on the market closing price of $20.21 on September 30, 2011 less exercise prices. Gains of $869,000 were realized by option holders during the twelve months ended September 30, 2011. The realized tax benefit from options exercised for the twelve months ended September 30, 2011 was $333,000. Total compensation cost of options granted but not yet vested as of September 30, 2011 was $698,000, which is expected to be recognized over a weighted-average period of 2.2 years.

A summary of changes in restricted stock awards is presented below:

Restricted Stock	Number Of Shares	Weighted Average Grant Price	Weighted Average Remaining Term (yrs)	Weighted Average Grant Date Fair Value (000's)
Outstanding at September 30, 2008	18,600	$21.22	1.3	$ 395
Granted	0			$ 0
Vested	(9,150)	$21.22		$ 194
Forfeited	(1,800)	$21.18		$ 38
Outstanding at September 30, 2009	7,650	$21.23	.3	$ 163
Granted	0			$ 0
Vested	(7,530)	$21.22		$ 160

Forfeited	(120)	$22.03		$	3
Outstanding at September 30, 2010	-	$ -	-	$	-

8. Income Taxes.

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

	2011	2010	2009
Current:			
Federal	$3,249	3,162	3,800
State	566	119	777
	3,815	3,281	4,577
Deferred	483	682	245
Total	$4,298	3,963	4,822

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

	2011	2010	2009
Amount computed at statutory Federal rate	$3,864	3,760	4,359
State income taxes (net of Federal income tax benefit)	473	460	541
Other, net	(39)	(257)	(78)
Provision for income taxes	$4,298	3,963	4,822

In this reconciliation, the category "Other, net" consists of changes in unrecognized tax benefits, permanent tax differences related to non-deductible expenses, special tax rates and tax credits, interest and penalties, and adjustments to prior year estimates.

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 (in thousands):

	2011	2010
Deferred tax liabilities:		
Property and equipment	$17,014	16,097
Depletion	436	431
Unrealized rents	1,384	1,289
Prepaid expenses	1,639	1,633
Gross deferred tax liabilities	20,473	19,450
Deferred tax assets:		
Insurance liabilities	2,104	1,735
Employee benefits and other	1,651	1,457
Gross deferred tax assets	3,755	3,192
Net deferred tax liability	$16,718	16,258

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2011	2010
Balance at October 1	$ 83	237
Reductions due to lapse of statute of limitations	(32)	(154)

Balance at September 30	$ 51	83

As of September 30, 2011 there was $38,000 of unrecognized tax benefits that, if recognized, would impact the Company's effective tax rate. Interest and penalties of $13,000 was reflected as a component of the total liability at September 30, 2011. The Company expects a decrease in the liability of up to $51,000 for uncertain tax positions during the next 12 months. The Company files income tax returns in the U.S. and various states which are subject to audit for up to five years after filing.

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 $632,000 in 2011, $612,000 in 2010 and $760,000 in 2009.

The Company has a Management Security Plan (MSP) 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 one of the participants has been purchased to partially fund this benefit and the Company is the owner and beneficiary of that policy. The expense for fiscal 2011, 2010 and 2009 was $150,000, $143,000 and $136,000, respectively. The accrued benefit under this plan as of September 30, 2011 and 2010 was $1,169,000 and $1,089,000 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, 2011 and 2010 was $334,000 and $319,000, respectively. The net periodic postretirement benefit cost was $18,000, $12,000 and $(1,000) for fiscal 2011, 2010, and 2009, respectively. The discount rate used in determining the Net Periodic Postretirement Benefit Cost was 5.0% for 2011, 5.5% for 2010 and 6.75% for 2009. The discount rate used in determining the Accumulated Postretirement Benefit Obligation (APBO) was 5.5% for 2011, 5.5% for 2010 and 5.5% for 2009. No medical trend is applicable because the Company’s share of the cost is frozen.

10. Business Segments.

The Company operates in three reportable business segments. The Company’s operations are substantially in the Southeastern and Mid-Atlantic states.

The transportation segment hauls petroleum and other liquids and dry bulk commodities by tank trailers. The Company’s real estate operations consist of two reportable segments. The Mining royalty land segment owns real estate including construction aggregate royalty sites and parcels held for investment. The Developed property rentals segment acquires, constructs, and leases office/warehouse buildings primarily in the Baltimore/Northern Virginia/Washington area and holds real estate for future development or related to its developments.

The Company’s transportation and real estate groups operate independently and have minimal shared overhead except for corporate expenses. Corporate expenses are allocated in fixed quarterly amounts based upon budgeted and estimated proportionate cost by segment. Unallocated corporate expenses primarily include stock compensation and corporate aircraft expenses. Reclassifications to prior period amounts have been made to be comparable to the current presentation.

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

	2011	2010	2009
Revenues:			
Transportation	$ 97,801	89,637	91,420
Mining royalty land	4,261	4,510	5,067
Developed property rentals	18,044	17,191	18,066
	$120,106	111,338	114,553
Operating profit:			
Transportation	$ 9,602	9,716	11,468
Mining royalty land	3,507	3,696	4,028
Developed property rentals	5,874	5,126	6,182
Corporate expenses:			
Allocated to transportation	(1,574)	(1,480)	(1,617)
Allocated to mining land	(650)	(588)	(551)
Allocated to developed property	(975)	(883)	(826)
Unallocated	(1,415)	(1,084)	(2,556)
	(4,614)	(4,035)	(5,550)
	$ 14,369	14,503	16,128
Interest expense:			
Mining royalty land	$ 37	39	74
Developed property rentals	3,309	3,889	3,408
	$ 3,346	3,928	3,482
Capital expenditures:			
Transportation	$ 6,743	6,568	3,298
Mining royalty land	-	59	14
Developed property rentals:			
Capitalized interest	1,232	952	1,707
Internal labor	603	281	495
Real estate taxes	1,212	1,157	892
Other costs (a)	8,082	1,686	7,718
	$ 17,872	10,703	14,124

(a) Net of 1031 exchange of $4,941 for fiscal 2011.

	2011	2010	2009
Depreciation, depletion and amortization:			
Transportation	$ 6,269	6,143	6,670
Mining royalty land	111	103	134
Developed property rentals	5,222	5,053	5,081
Other	608	208	1,558
	$ 12,210	11,507	13,443
Identifiable net assets at September 30:			
Transportation	$ 39,001	43,100	43,229
Discontinued Transportation Operations	114	542	1,519

Mining royalty land	28,295	28,651	28,088
Developed property rentals	175,618	164,601	164,373
Cash items	21,026	17,151	15,803
Unallocated corporate assets	2,336	3,667	3,842
	$266,390	257,712	256,854

11. Fair Value Measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 means the use of quoted prices in active markets for identical assets or liabilities. Level 2 means the use of values that are derived principally from or corroborated by observable market data. Level 3 means the use of inputs are those that are unobservable and significant to the overall fair value measurement.

As of September 30, 2011 the Company had no assets or liabilities measured at fair value on a recurring or non-recurring basis. During fiscal 2011 the corporate aircraft was placed back in service and depreciation was re-commenced. Prior to that it was recorded at fair value based on level 2 inputs for similar assets in the current market on a non-recurring basis as it was deemed to be other-than-temporarily impaired. The fourth quarter of fiscal 2009 and the first quarter of fiscal 2011 included $900,000 and $300,000, respectively, for the impairment to estimated fair value of the corporate aircraft.

The fair value of the note receivable (see Note 15) as of September 30, 2010, approximated the unpaid principal balance based upon the interest rate and credit risk of the note. The note was paid in full as of September 30, 2011. The fair value of all other financial instruments with the exception of mortgage notes (see Note 3) approximates the carrying value due to the short-term nature of such instruments.

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, 2011, the carrying amount and fair value of such other long-term debt was $67,272,000 and $70,386,000, respectively. At September 30, 2010, the carrying amount and fair value of other long-term debt was $71,860,000 and $73,558,000, respectively.

12. 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. There is a reasonable possibility that the Company’s estimate of vehicle and workers’ compensation liability for the transportation group or discontinued operations may be understated or overstated but the possible range can not be estimated. The liability at any point in time depends upon the relative ages and amounts of the individual open claims. 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.

13. Commitments.

The Company, at September 30, 2011, had entered into various contracts to develop real estate with remaining commitments totaling $1,489,000, and to purchase transportation equipment for approximately $5,319,000. The Company has committed to make an additional capital contribution of up to $156,000 dollars to Brooksville Quarry, LLC in connection with a joint venture with Vulcan.

14. Concentrations.

The transportation segment primarily serves customers in the industries in the Southeastern U.S. Significant economic disruption or downturn in this geographic region or these industries could have an adverse effect on our financial statements.

During fiscal 2011, the transportation segment’s ten largest customers accounted for approximately 54.6% of the transportation segment’s revenue. One of these customers accounted for 19.8% 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 $3,115,000 and $2,797,000 at September 30 2011 and 2010, respectively.

The Company places its cash and cash equivalents with high credit quality institutions. At times such amounts may exceed FDIC limits.

15. Discontinued Operations.

In August 2009 the Company sold its flatbed trucking company, SunBelt Transport, Inc. ("SunBelt"). Under the agreement, the Buyer purchased all of SunBelt’s tractors and trailers, leased the SunBelt terminal facilities in Jacksonville, Florida for 36 months at a rental of $5,000 per month and leased the terminal facilities in South Pittsburg, Tennessee for 60 months at a rental of $5,000 per month with an option to purchase the Tennessee facilities at the end of the lease for payment of an additional $100,000. The South Pittsburgh lease was recorded as a sale under bargain purchase accounting. The purchase price received for the tractors and trailers and inventories was a $1 million cash payment and the delivery of a Promissory Note requiring 60 monthly payments of $130,000 each including interest at 7%, secured by the assets of the business conveyed. In the quarter ending September 30, 2009 the Company recognized $283,000 in severance costs related to a change-in-control agreement triggered by the sale of SunBelt. As of September 30, 2011 the note receivable has been fully paid and the option to purchase the South Pittsburg facility was completed. The Company retained all pre-closing receivables and liabilities.

SunBelt has been accounted for as discontinued operations in accordance with ASC Topic 205-20 Presentation of Financial Statements – Discontinued Operations. All periods presented have been restated accordingly.

In December 2010, a subsidiary of the Company, Florida Rock Properties, Inc., closed a bargain sale of approximately 1,777 acres of land in Caroline County, Virginia, to the Commonwealth of Virginia, Board of Game and Inland Fisheries. The purchase price for the property was $5,200,000, subject to certain deductions. The Company also donated $5,599,000 primarily for the value of minerals and aggregates and recognized a $2,126,000 permanent tax benefit. The $2,126,000 permanent tax benefit was recorded to income taxes receivable for

$303,000 and offset to long-term deferred tax liabilities of $1,823,000. Actual realization of the $1,823,000 in deferred taxes will depend on taxable income, income tax rates, and income tax regulations over the 5 year carry forward period. The Company's book value of the property was $276,000.

A summary of discontinued operations is as follows (in thousands):

	2011	2010	2009
Revenue	$ 60	84	21,250
Operating expenses	(302)	(427)	24,239
Gain (Loss) on sale before taxes	4,665	-	(3,760)
Income (loss) before income taxes	$ 5,027	511	(6,749)
Provision for income taxes	195	(196)	2,594
Income (loss) from discontinued operations	$ 5,222	315	(4,155)

A summary of the loss on sale of SunBelt in August 2009 before income taxes (in thousands):

Carrying amount of assets disposed:	
Petty cash	$ 4
Inventory of parts and supplies	88
Prepaid tires on equipment	643
Land	103
Buildings	459
Equipment	24,022
Less accumulated depreciation	(14,013)
Net book value of assets disposed	$ 11,306
Plus liabilities assumed:	
Change in control agreement	283
Real estate taxes of bargain lease	61
Less proceeds from sale:	
Cash Payment Received	1,000
Present value of promissory note	6,565
Present value of bargain lease	325
Loss on sale before taxes	$ 3,760

The estimated loss on sale of $3,263,000 was recorded in the quarter ending June 30, 2009. An adjustment to the loss on sale of $214,000 along with the change in control agreement of $283,000 was recorded in the quarter ending September 30, 2009.

The components of the balance sheet are as follows:

	September 30, 2011	September 30, 2010
Accounts receivable	$ 3	8
Deferred income taxes	4	417
Property and equipment, net	107	117
Assets of discontinued operations	$ 114	542
Accounts payable	$ -	154
Accrued payroll and benefits	2	2
Accrued liabilities, other	3	61

Insurance liabilities	29	1,110
Liabilities of discontinued operations	$ 34	1,327

16. Subsequent Event.

Windlass Run Residential (previously Bird River), located in southeastern Baltimore County, Maryland, is a 121 acre tract of land adjacent to and west of our Windlass Run Business Park. The property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain an appropriate product mix. In July 2008, the Company entered into an agreement to sell the property at a purchase price of $25,075,000 and closing was scheduled to occur in the first quarter of calendar 2012. The purchaser had placed non-refundable deposits of $1,000,000 under this contract in escrow. Preliminary approval for the development as originally contemplated was previously received and the time for any appeals from that approval has expired. In October 2011 the purchaser terminated its agreement to purchase the property and released the $1,000,000 escrow deposit to the company’s subsidiary, FRP Bird River, LLC. along with all permits, engineering work, plans and other development work product with regards to the property. The Company intends to continue to complete the entitlement process for this parcel of land for residential development and will market it appropriately as the demand for residential property in this area improves in the future.

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 control 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, 2011 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, 2011, the Company's internal control over financial reporting is effective.

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 sheets of Patriot Transportation Holding, Inc. as of September 30, 2011, and 2010, and the related consolidated statements of income, shareholder’s equity and comprehensive income, and cash flows for years ended September 30, 2011, 2010 and 2009. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for the years ended September 30, 2011, 2010 and 2009 in conformity with accounting principles generally accepted in the United States of America.

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, 2011, 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, 2011, 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 7, 2011
Savannah, Georgia

DIRECTORS AND OFFICERS

Directors

Thompson S. Baker II (1)
President and Chief Executive
Officer of the Company

John D. Baker II (1)
Executive Chairman

Edward L. Baker (1)
Chairman Emeritus

John E. Anderson
Former President and Chief Executive
Officer of Patriot Transportation Holding, Inc.

Charles E. Commander III (2)(4)
Retired Partner
Foley & Lardner

Luke E. Fichthorn III
Private Investment Banker,
Twain Associates

Robert H. Paul III (2)(3)(4)
Chairman of the Board of
Southeast Atlantic 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. and
Citadel Life & Health Insurance Co.

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

Officers

John D. Baker II
Executive Chairman

Thompson S. Baker II
President and Chief Executive Officer

John D. Milton, Jr.
Executive Vice President, Treasurer, Secretary
and Chief Financial Officer

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

John D. Klopfenstein
Controller and Chief Accounting Officer

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

Patriot Transportation Holding, Inc.

501 Riverside Avenue, Suite 500
Jacksonville, Florida, 32202
Telephone: (904) 396-5733

Annual Meeting

Shareholders are cordially invited to attend the Annual Shareholders Meeting which will be held at 10 a.m. local time, on Wednesday, February 1, 2012, at the St. Joe Company building, 245 Riverside Avenue, Jacksonville, Florida, 32202.

Transfer Agent

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

Telephone: 1-800-937-5449

General Counsel

Fowler White Boggs P.A.
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, 2011 as filed with the Securities and Exchange Commission by writing to the Treasurer at 501 Riverside Avenue, Suite 500, Jacksonville, Florida 32202. 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, proxy statements, quarterly reports on Form 10-Q, current reports filed or furnished on Form 8-K and all related amendments.

CERTIFICATIONS Exhibit 31(a)

I, Thompson S. Baker II, certify that:

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

Date: December 7, 2011

/s/Thompson S. Baker II
President and Chief Executive Officer

CERTIFICATIONS Exhibit 31(b)

I, John D. Milton, Jr., certify that:

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

Date: December 7, 2011

/s/John D. Milton, Jr.
Executive Vice President,
Treasurer, Secretary and
Chief Financial Officer

CERTIFICATIONS Exhibit 31(c)

I, John D. Klopfenstein, certify that:

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

Date: December 7, 2011

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

Exhibit 32

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

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

PATRIOT TRANSPORTATION HOLDING, INC.

December 7, 2011

THOMPSON S. BAKER II

Thompson S. Baker II
President and Chief Executive Officer

JOHN D. MILTON, JR.

John D. Milton, Jr.
Executive 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.