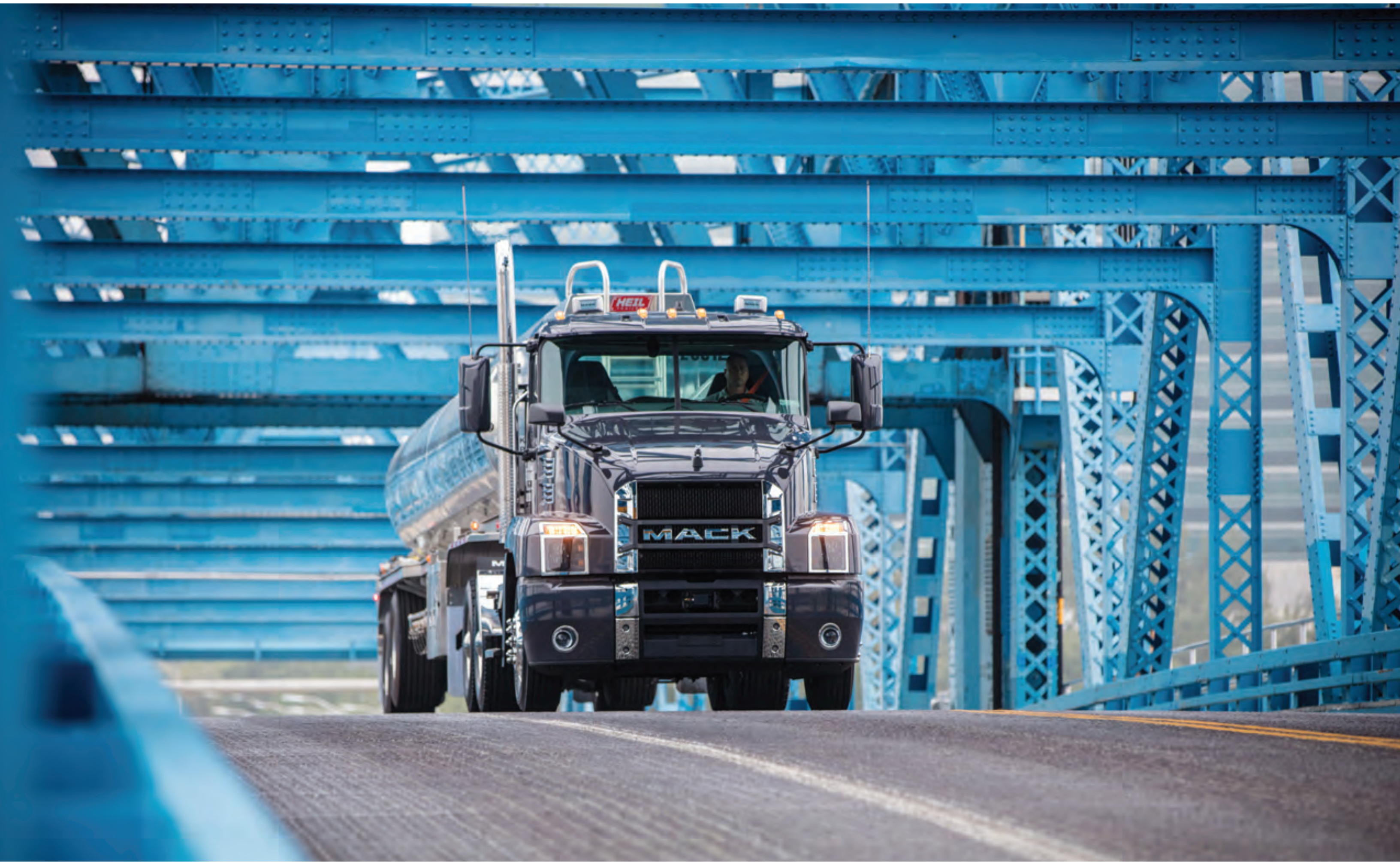
2022 ANNUAL REPORT



Patriot
TRANSPORTATION HOLDING, INC.

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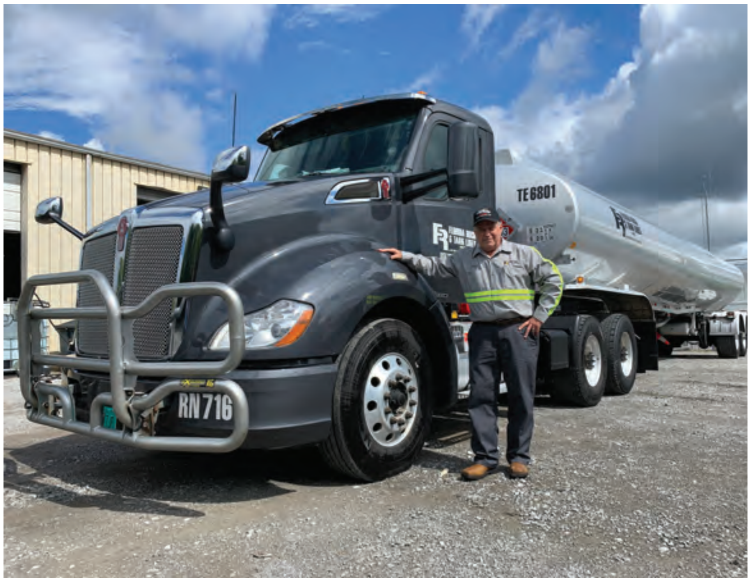
FLORIDA ROCK
& TANK LINES
INC.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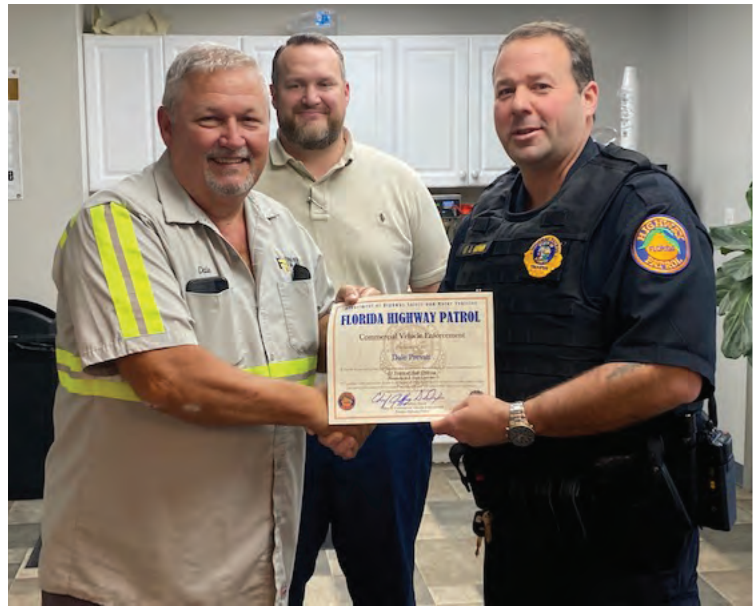
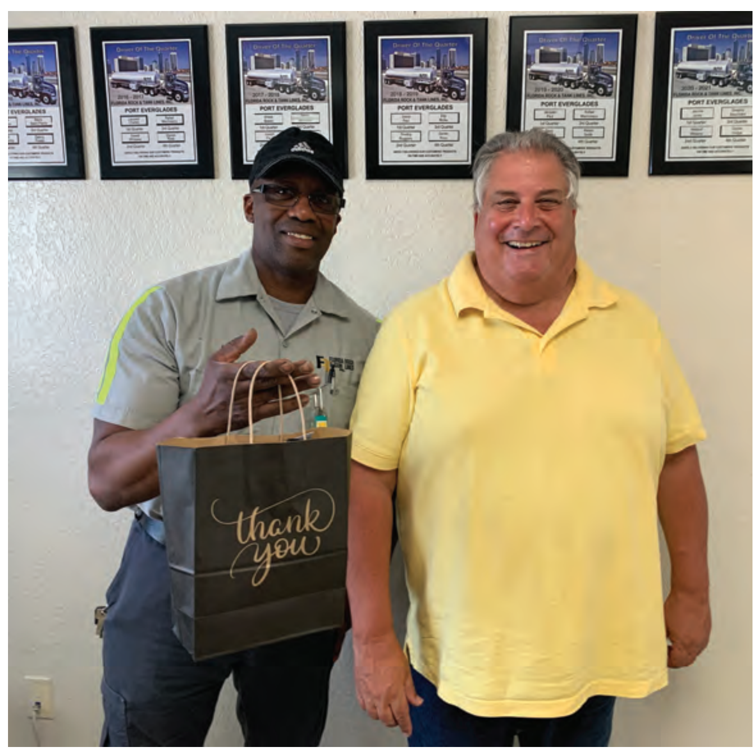

FLORIDA HIGHWAY PATROL
Commercial Vehicle Enforcement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CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended September 30
(Amounts in thousands except per share amounts)

		2022	2021	% Change
Revenues	$	87,882	81,268	8.1
Operating profit	$	9,299	880	956.7
Income before income taxes	$	9,343	858	988.9
Net income	$	7,190	625	1050.4
Per common share:				
Basic	$	2.08	.18	1055.6
Diluted	$	1.98	.18	1000.0
Total Assets	$	47,566	52,560	(9.5)
Total Debt	$	—	—	—
Shareholders' Equity	$	31,187	36,116	(13.6)
Common Shares Outstanding		3,484	3,416	2.0
Book Value Per Common Share	$	8.95	10.58	(15.4)

BUSINESS. The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc. (Tank Lines), which is a Southeastern U.S. based tank truck company, is to transport petroleum and other liquids and dry bulk commodities.

OBJECTIVES. The Company's objectives are to continue building a substantial transportation company providing acceptable returns on capital employed and cash generation.

Fiscal year 2022 was a year of much improvement. We increased our revenue per mile, reduced our turnover rate and turned a profit after excluding the gain from the Tampa land sale. Following the closing of the Tampa sale, the Board declared a special dividend of $3.75 per share bringing the total dividends paid to shareholders since January 2020 to $9.90 per share for a total return of $33.5 million.

On the operating side of the business, we found stability due mainly to our ability to continue to raise driver pay following a series of customer rate increases. Recall, in the spring of 2021 we saw a marked change in the vast majority of our customer base as it related to rates and desires to put service and driver capacity at the top of the priority list. In the past several fiscal years we had seen a steady trend whereby our average driver count was declining by approximately 50-75 drivers per year. However, in fiscal year 2022 our driver count remained relatively flat at ~350 drivers throughout the year mainly as a result of reduced turnover. Late in the fiscal year we announced additional pay increases in several key markets. We anticipate announcing pay increases in the remaining markets early in 2023 and at that point our driver pay across the company will be up 25-35% depending on the market.

Our operating profit in FY 2022, excluding the Tampa land gain and transaction bonus, was $2,048,000. This year included four major insurance events which, when combined, totaled over $1,200,000 in expense for the fiscal year. While we are always susceptible to auto accidents, worker's compensation claims and high dollar medical cases, it is very unusual to have just four incidents create that large of an impact in a fiscal year. Despite being down approximately 2.5 million miles YOY, operating revenues were up $6.6 million due to higher fuel surcharges and rate increases. Revenue excluding fuel surcharge was up $.24 per mile over fiscal 2021.

With oil prices rising early in 2022 the cost of diesel was high for the second half of the year but that cost was offset by fuel surcharges. Repairs and Tires were up considerably this year for several reasons. On the tire side, we have seen inflation drive prices up 16% on a year over year basis. Similarly, we have seen inflation hit both on repair parts as well as maintenance wages. With the downsizing of the fleet over the past few years, we weren't buying new tractors in FY 2021. We ordered 30 replacement tractors in FY 2022 but, due to supply side issues, they were mostly delayed on delivery until the second half of the year. As a result, we were operating lots of older equipment which drives maintenance expense higher. The good news, we have ordered 69 additional replacement tractors to be delivered in FY 2023 which will result in 99 new tractors in the fleet by October, 2023. This should start to drive down per mile maintenance expense as we get into the second half of FY 2023. Insurance expense was up nearly $1 million mostly due to the four incidents mentioned above.

Our business mix has hovered the past two years around 85% petroleum and 15% other products. Our goal is to grow the other business products as a percentage by adding additional revenue in those categories and maintaining our petroleum business. We grew our water revenue by over 50% year over year and hope to see that trend continue as the customer expands its capacity. In fiscal 2022, we started to focus on adding dry bulk business into locations that had historically been 100% petroleum locations. We will continue to do that in 2023 as we would like to grow the dry bulk business across our footprint.

The auto liability insurance market has settled down somewhat and we were able to secure a mid-single digit increase on our primary layer but saw mid-teen increases on our excess layers. While expensive, we are able to absorb that through rate increases.

Our recent technology investments continue to pay dividends. The SmartDrive on-board camera system installed near the end of 2020 has already paid for itself and then some. We had several incidents to date where the video exonerated us in accidents where the at fault party likely would have, or actually did, claim our driver was at fault, saving us cost of defense and potential settlement money. The camera system is also helping us improve driving habits across the network with the driving score and live video coaching platform. We plan to implement a new automated dispatch module in FY 2023 with a target completion date of October 1. This technology should bring significant efficiencies to our operations and customers. We believe technology is critical to our future success as it provides significant benefits to our drivers, employees and customers.

We are very proud to say that the company beat our preventable accident frequency target for the 4th straight year in a row. The standard we set is high and the fact that we have beaten our target four years in a row is a testament to our “safety first” approach company wide. We look forward to giving away a brand-new Chevy Silverado pickup truck again this year to one of our safe drivers.

In summary, we certainly had some challenges in fiscal 2022 but with the positives around customer partnerships, rates and driver retention we look forward to a successful fiscal 2023. Our balance sheet remains strong with over $8.3 million in cash and no debt. Our plan is to spend approximately $12M on capex during the fiscal year using zero financing with plenty of cash remaining on the balance sheet at year end. As always, we do not take your investment in our Company lightly and we want to thank you for your continued interest and support.

Respectfully,

Robert E. Sandlin
President & Chief Executive Officer

Thompson S. Baker II
Chairman

Matthew C. McNulty
Vice President, Chief Financial Officer and
Chief Operating Officer

Our business consists of hauling petroleum related products, dry bulk commodities and liquid chemicals. We are one of the largest regional tank truck carriers in North America. We operate terminals in Florida, Georgia, Alabama, and Tennessee. We do not own any of the products we haul; rather, we act as a third-party carrier to deliver our customers' products from point A to point B, using predominately Company employees and Company-owned tractors and tank trailers. Approximately 85% of our business consists of hauling liquid petroleum products (mostly gas and diesel fuel) from large scale fuel storage facilities to our customers' retail outlets (e.g. convenience stores, truck stops and fuel depots) where we off-load the product into our customers' fuel storage tanks for ultimate sale to the retail consumer. The remaining 15% of our business consists of hauling dry bulk commodities such as cement, lime and various industrial powder products, water and liquid chemicals. As of September 30, 2022, we employed 312 revenue-producing drivers who operated our fleet of 265 Company tractors, 36 owner operators and 415 trailers from our 17 terminals and 6 satellite locations.

During fiscal 2022, the Company replaced 26 tractors and 5 trailers. Our fiscal 2023 capital budget includes 73 new tractors, of which 29 are replacing lease units. We believe maintaining a modern fleet will result in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. The Company owns all of the tank trailers and tractors used to conduct our business, except for 36 tractors owned by owner-operators and 29 full-service leased 2019 model year tractors.

Approximately 85% of our business consists of hauling petroleum related products. Our petroleum clients include major convenience store and hypermarket accounts, fuel wholesalers and major oil companies. We strive to build long-term relationships with major customers by providing outstanding customer service. During fiscal 2022, the Company's ten largest customers accounted for approximately 58.7% of revenue. One of these customers accounted for 18.3% of revenue. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income. Our top 10 accounts have been customers for at least 10 years. Our dry bulk and chemical customers include large industrial companies including cement and concrete accounts and product distribution companies. Our customer relationships are long-standing and have grown over time as a result of consistently high safety and service levels.

Financial information about the company is presented in the financial statements included in this Annual Report.

Five Year Summary - Years ended September 30

(Amounts in thousands except per share amounts)

	2022	2021	2020	2019	2018
Summary of Operations:					
Revenues $	87,882	81,268	88,713	108,716	114,065
Operating profit $	9,299	880	243	1,979	2,046
Interest expense $	18	27	31	32	39
Net income $	7,190	625	257	1,763	5,119
Per Common Share (a):					
Basic $	2.08	.18	.08	.53	1.54
Diluted $	1.98	.18	.08	.53	1.54
Financial Summary:					
Current assets $	20,558	23,378	26,541	34,424	31,444
Current liabilities $	8,713	8,835	9,675	8,827	10,163
Property and equipment, net $	20,249	22,684	30,399	33,567	33,911
Total assets $	47,566	52,560	64,669	72,293	69,817
Long-term debt $	—	—	—	—	—
Shareholders' equity $	31,187	36,116	45,048	54,797	52,406
Net Book Value Per common share $	8.95	10.58	13.34	16.35	15.75
Other Data:					
Weighted average common shares:					
Basic (a)	3,459	3,395	3,369	3,342	3,318
Diluted (a)	3,623	3,408	3,370	3,343	3,320
Number of employees	475	508	607	761	783
Shareholders of record	333	343	348	358	383

Quarterly Results *unaudited*

(Dollars in thousands except per share amounts)

	First		Second		Third		Fourth	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues $	20,571	20,228	20,928	19,728	23,501	20,855	22,882	20,457
Operating profit (loss) $	8,541	(301)	(639)	671	913	452	484	58
Income (loss) before income taxes $	8,537	(307)	(640)	665	922	445	524	55
Net income (loss) $	6,439	(222)	(490)	484	771	323	470	40
Earnings per common share (a):								
Net income (loss)-								
Basic $	1.88	(.07)	(.14)	.14	.22	.09	.13	.01
Diluted $	1.74	(.07)	(.14)	.14	.22	.09	.13	.01
Market price per common share (b):								
High $	16.29	12.10	8.69	11.11	8.30	13.06	8.23	12.83
Low $	8.01	8.60	7.90	8.61	7.06	10.53	7.23	1.20

(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 Nasdaq reported high and low daily closing prices.

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

Executive Overview. The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc., is to transport petroleum and other liquids and dry bulk commodities. We do not own any of the products we haul, rather, we act as a third-party carrier to deliver our customers' products from point A to point B predominately using Company employees driving Company owned tractors and tank trailers. Approximately 85% of our business consists of hauling liquid petroleum products (mostly gas and diesel fuel) from large scale fuel storage facilities to our customers' retail outlets (e.g. convenience stores, truck stops and fuel depots) where we off-load the product into our customers' fuel storage tanks for ultimate sale to the retail consumer. The remaining 15% of our business consists of hauling dry bulk commodities such as cement, lime and various industrial powder products, water and liquid chemicals. As of September 30, 2022, we employed 312 revenue-producing drivers who operated our fleet of 265 Company tractors, 36 owner operators and 415 trailers from our 17 terminals and 6 satellite locations in Florida, Georgia, Alabama, and Tennessee. We experience increased seasonal demand in Florida during the spring and in most of our other locations during the summer months.

Our industry is characterized by such barriers to entry as the time and cost required to develop the capabilities necessary to handle hazardous material, the resources required to recruit, train and retain drivers, substantial industry regulatory and insurance requirements and the significant capital investments required to build a fleet of equipment, establish a network of terminals and, in recent years, the cost to build and maintain sufficient information technology resources to allow us to interface with and assist our customers in the day-to-day management of their product inventories.

Our ability to provide superior customer service at competitive rates and to operate safely and efficiently is important to our success in growing our revenues and increasing profitability. Our focus is to grow our profitability by executing on our key strategies of (i) increasing our business with existing and new customers, particularly hypermarket and large convenience store chains, that are willing to compensate us for our ability to provide superior, safe and reliable service, (ii) expanding our service offerings with respect to dry bulk, liquid and chemical products particularly in markets where we already operate terminals, (iii) earning the reputation as the preferred employer for tank truck drivers in all the markets in which we operate and (iv) pursuing strategic acquisitions. Our ability to execute this strategy depends on continuing our dedicated commitments to customer service and safety and continuing to recruit and retain qualified drivers.

Our industry is experiencing a severe shortage of qualified professional drivers with a tenured safe driving career. The trend we are seeing is that more and more of the applicants are drivers with little to no experience in the tank truck business, short driving careers in other lines of trucking, poor safety records and a pattern of job instability in their work history. As a result, in many markets we serve it is difficult to grow the driver count and, in some cases, to even maintain our historical or desired driver counts. There are several opportunities available today in our markets that will allow us to execute on our strategy so long as we can find, hire and retain qualified drivers to meet the demands of these opportunities.

We generate both transportation based revenue as well as fuel surcharge revenue. Our transportation revenue consists of base revenue for each delivery which is generally calculated by multiplying a negotiated mileage-based rate by the quantity of product delivered plus any fees for extra stops to load or unload, powered product unloading and toll cost reimbursements. These negotiated transportation rates compensate us both for transporting the products as well as for loading and unloading time.

While our base rates include a fixed amount to cover our cost of fuel using an assumed price for diesel, we have fuel surcharges in place with our customers that allow us to obtain additional compensation for fuel expense incurred when the price of diesel rises above that assumed price. Likewise, for some customers, the fuel surcharge system allows the customer to receive a lower cost from us when the price of diesel drops below that assumed price. There is a time lag between fuel price fluctuations and changes to fuel surcharges to our customers. In a rapidly rising price environment this time lag can negatively impact the Company's financial results as we must pay the higher fuel cost immediately but in most cases aren't able to adjust fuel surcharges to our customers until the end of the month. The main factors that affect our total revenue are the number of revenue miles driven, rates per mile, quantity of products hauled and the amount of fuel surcharges.

Operating Revenues. Our revenues are primarily based on a set rate per volume of product hauled to arrive at a desired rate per mile traveled. The rate also incorporates the cost of fuel at an assumed price plus fuel surcharges to address the fluctuation in fuel prices. Over time, the fuel surcharge tables in the industry have become so numerous and varied, both by carriers and customers, that they have simply become a part of the overall rating structure to arrive at that desired price per mile by market. We consider fuel surcharge revenue to be revenue from services rather than other revenues. As a result, the Company determined there is no reason to report fuel surcharges as a separate revenue line item and fuel surcharges are reported as part of Operating revenues.

The Company's operations are influenced by a number of external and internal factors. External factors include levels of economic and industrial activity, driver availability and cost, government regulations regarding driver qualifications and limitations on the hours drivers can work, petroleum product demand in the Southeast which is driven in part by tourism and commercial aviation, and fuel costs. Internal factors include revenue mix, equipment utilization, Company imposed restrictions on hiring drivers under the age of 21 or drivers without at least one year of driving experience, auto and workers' compensation accident frequencies and severity, administrative costs, and group health claims experience.

Our operating costs primarily consist of the following:

- Compensation and Benefits - Wages and employee benefits for our drivers and terminal support personnel is the largest component of our operating costs. These costs are impacted by such factors as miles driven, driver pay increases, driver turnover and training costs and additional driver pay due to temporary out-of-town deployments to cover business.

• Fuel Expenses - Our fuel expenses will vary depending on miles driven as well as such factors as fuel prices (which can be highly volatile), the fuel efficiency of our fleet and the average haul length.

• Repairs and Tires – This category consists of vehicle maintenance and repairs (excluding shop personnel) and tire expense (including amortization of tire cost and road repairs). These expenses will vary based on such factors as miles driven, the age of our fleet, and tire prices.

• Other Operating Expenses – This category consists of tolls, hiring costs, out-of-town driver travel cost, terminal facility maintenance and other operating expenses. These expenses will vary based on such factors as, driver availability and out-of-town driver travel requirements, business growth and inflation among others.

• Insurance and Losses – This includes costs associated with insurance premiums, and the self-insured portion of liability, workers' compensation, health insurance and cargo claims and wreck repairs. We work very hard to manage these expenses through our safety and wellness programs, but these expenses will vary depending on the frequency and severity of accident and health claims, insurance markets and deductible levels.

• Depreciation Expense – Depreciation expense consists of the depreciation of the cost of fixed assets such as tractors and trailers over the life assigned to those assets. The amount of depreciation expense is impacted by equipment prices and the timing of new equipment purchases. We expect the cost of new tractors and trailers to continue to increase, impacting our future depreciation expense.

• Rents, Tags and Utilities Expenses – This category consists of rents payable on leased facilities and leased equipment, federal highway use taxes, vehicle registrations, license and permit fees and personal property taxes assessed against our equipment, communications, utilities and real estate taxes.

• Sales, General and Administrative Expenses – This category consists of the wages, bonus accruals, benefits, travel, vehicle and office costs for our administrative personnel as well as professional fees and amortization charges for intangible assets purchased in acquisitions of other businesses.

• Corporate Expenses – Corporate expenses consist of wages, bonus accruals, insurance and other benefits, travel, vehicle and office costs for corporate executives, director fees, stock option expense and aircraft expense.

• Gains/Loss on Disposition of Property, Plant & Equipment – Our financial results for any period may be impacted by any gain or loss that we realize on the sale of used equipment, losses on wrecked equipment, and disposition of other assets. We periodically sell used equipment as we replace older tractors and trailers. Gains or losses on equipment sales can vary significantly from period to period depending on the timing of our equipment replacement cycle, market prices for used equipment and losses on wrecked equipment.

To measure our performance, management focuses primarily on transportation revenue growth, revenue miles, our preventable accident frequency rate ("PAFR"), our operating ratio (defined as our operating expenses as a percentage of our operating revenue), turnover rate (excluding drivers related to terminal closures) and average driver count (defined as average number of revenue producing drivers including owner operators (O.O.) under employment over the specified time period) as compared to the same period in the prior year.

ITEM	FY 2022 vs. FY 2021
Operating Revenues	Up 8.1%
Revenue Miles	Down by 10.7%
Revenue Per Mile	Up 21.1%
PAFR (incidents per 1M miles) goal of 2.0	1.64 vs 1.68
Operating Ratio	89.4% vs. 98.9%
Driver Turnover Rate	81.9% vs. 96.5%
Avg. Driver Count incl. owner operators	Down 8.5%

COMPARATIVE RESULTS OF OPERATIONS

	Fiscal Years ended September 30					
(dollars in thousands)	2022	%	2021	%	2020	%
Revenue miles (in thousands)	**21,293**		23,832		28,430	
Operating Revenues:	**87,882**	100.0%	81,268	100.0%	88,713	100.0%
Cost of operations:						
Compensation and benefits	**37,906**	43.1%	36,198	44.5%	39,426	44.5%
Fuel expenses	**13,288**	15.1%	9,630	11.9%	10,297	11.6%
Repairs & tires	**5,760**	6.6%	5,402	6.7%	5,940	6.7%
Other operating	**3,027**	3.4%	3,270	4.0%	3,575	4.0%
Insurance and losses	**8,167**	9.3%	7,261	8.9%	8,640	9.7%
Depreciation expense	**5,537**	6.3%	6,654	8.2%	7,383	8.3%
Rents, tags & utilities	**2,650**	3.0%	2,708	3.3%	2,933	3.3%
Sales, general & administrative	**9,306**	10.6%	8,764	10.8%	8,936	10.1%
Corporate expenses	**2,011**	2.3%	1,936	2.4%	2,114	2.4%
Gain on sale of terminal site	**(8,330)**	(9.5%)	(1,614)	(2.0%)	–	0.0%
Loss (gain) on disposition of PP&E	**(739)**	(0.8%)	179	0.2%	(774)	(0.9%)
Total cost of operations	**78,583**	89.4%	80,388	98.9%	88,470	99.7%
Total operating profit	**$9,299**	10.6%	880	1.1%	243	0.3%

Fiscal Year 2022 versus 2021 – The Company reported net income of $7,190,000, or $1.98 per share, compared to $625,000, or $.18 per share, in the same period last year. Net income this year included $6,281,000, or $1.73 per share, from gains on real estate sales net of income taxes. Net income in the prior year included $1,170,000, or $.34 per share, from gains on real estate sales net of income taxes.

Revenue miles were down 2,539,000, or 11%, over the same period last year due to a lower average driver count (down ~40 drivers from last year). Operating revenues for the period were $87,882,000, up $6,614,000 from the same period last year. Operating revenue per mile was up $.72, or 21.1% due to rate increases, higher fuel surcharges and an improved business mix.

Compensation and benefits increased $1,708,000, mainly due to the increased driver compensation package offset by a lower driver count and non-driver personnel reductions. Fuel expense increased $3,658,000 as a result of higher diesel prices. Insurance and losses increased $906,000, primarily as a result of the maximum limit COVID health claim ($420,000), a negative workers' compensation adjustment from a prior year claim ($380,000), and two September vehicle rollovers ($269,000). Depreciation expense was down $1,117,000 in the period. SG&A expense was higher by $542,000 which included a one-time transaction bonus of $394,000 following the sale of the Tampa property for certain members of management. Gain on the sale of land was $8,330,000 due to the sale of our former terminal location in Tampa, FL compared to $1,614,000 in the same period last year due to the sale of our former terminal location in Pensacola, FL and the sale and partial leaseback of our terminal in Chattanooga, TN. Gain on the sale of assets was $739,000 versus a loss of ($179,000) in the same period last year.

As a result, operating profit this period was $9,299,000 compared to $880,000 in the same period last year. Operating ratio was 89.4 versus 98.9 last year. Excluding the gain on sale of Tampa terminal and the one-time transaction bonus, adjusted operating profit was $1,363,000 as compared to an adjusted operating loss of ($734,000) in the same period last year. The COVID medical claim, the prior year workers' compensation claim and the two Q4 rollover incidents resulted in a total charge of $1,268,000 in fiscal 2022.

Fiscal Year 2021 versus 2020 – The Company reported net income of $625,000, or $.18 per share, in fiscal year 2021 compared to $257,000, or $.08 per share in fiscal year 2020. Net income in fiscal year 2021 included $1,170,000, or $.34 per share, from gains on real estate sales net of income taxes.

Operating revenues in fiscal year 2021 were $81,268,000, down $7,445,000 from the prior year, of which $5,444,000 resulted from the downsizing of one customer account beginning late first quarter and the remainder of the revenue variance was primarily attributable to the declining driver count. Revenue miles were down 4,598,000 in fiscal year 2021, or 16%, over the prior year. Operating revenue per mile was up $.29, or 9.3%, in fiscal year 2021 due to an improved business mix, rate increases and higher fuel surcharges.

Compensation and benefits decreased $3,228,000 in fiscal year 2021, mainly due to lower company miles, as well as the elimination of minimum driver pay expense and reductions in non-driver support positions. Fuel expense decreased $667,000 in fiscal year 2021 due to lower company miles. Repairs and tire expense decreased $538,000 in fiscal year 2021 due to lower miles during the year. Insurance and losses decreased $1,379,000 in fiscal year 2021, primarily from lower health care claims. Depreciation expense was down $729,000 in fiscal year 2021 as we continued to reduce our fleet size to meet our business levels. SG&A expense was lower by $172,000 in fiscal year 2021 over 2020 resulting primarily from permanent cost reductions. Corporate expenses were down $178,000 in fiscal year 2021 due mainly to lower compensation expense, legal and audit fees. Gain on sale of land was $1,614,000 in fiscal year 2021 due to the sale of our former terminal location in Pensacola, FL and the sale and partial leaseback of our terminal in Chattanooga, TN. Loss on disposition of assets was $179,000 in fiscal year 2021 (primarily due to $243,000 of write offs on the equipment involved in two tractor rollover accidents) versus a gain of $774,000 in the prior year. Total expense associated with the 2 roll over accidents, including the equipment write-offs, was $879,500.

As a result, operating profit in fiscal year 2021 was $880,000 compared to $243,000 in the prior year. Excluding the gain on sale of terminal sites and the negative impacts of the rollover accidents, operating profit for fiscal year 2021 was $145,500. Operating ratio was 98.9 in 2021 versus 99.7 in the prior year.

Summary and Outlook - Since announcing the first significant pay increase back in April of 2021, our driver count has stabilized and we have been holding steady at +/- 350 revenue producing drivers. During the first quarter of 2022 we announced additional driver pay increases in all of our markets, with the majority effective February 4, 2022. In July, we announced additional driver pay increases in about half of our markets with the other half planned for early fiscal 2023. These increases require drivers to meet certain criteria each month in order to qualify, including minimum average log hours worked and zero unexcused absences to help drive productivity.

We continue to see inflationary pressure add to our other expenses as well, particularly in vehicle parts, maintenance labor, tires and non-driver labor. Insurance premiums continue to rise in the high single digits on the lower end and up to 15-20% on the upper layers of our insurance coverage. To combat all of these rising costs, our biggest focus the past 18 months and continuing into FY 2023 will be on partnering with customers who understand the challenges we face and are willing to continue to raise rates to allow us to make an acceptable return on our capital. We continue to successfully negotiate additional rate increases with most of our customers and will seek to replace business where the rate negotiations do not allow us to cover rising expenses.

This was a particularly difficult year from an insurance claims and equipment write-off perspective with four incidents costing us a little over $1.2 million of expense in fiscal 2022. We are certainly vulnerable to these types of claims every year but this was unlike most, if any, of our prior years' experience having so much expense tied up in just 4 claims.

Our balance sheet remained stable with $8.3 million of cash and cash equivalents as of September, 2022, with no outstanding debt. We replaced 26 tractors and 5 trailers during the year. We also added 5 used dry bulk trailers to the fleet as we continue to try and expand that part of our business. For fiscal 2023 we are planning to purchase 73 new tractors (29 are replacing lease units) and ~10 trailers and anticipate a total capital expenditure of ~$12 million in fiscal 2023.

Non-GAAP Financial Measures - To supplement the financial results presented in accordance with GAAP, Patriot presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. Patriot uses these non-GAAP financial measures to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. These measures are not, and should not be viewed as, substitutes for GAAP financial measures.

Adjusted Operating Profit - Adjusted operating profit excludes the impact of the gain on sale of terminal sites and the one-time transaction bonus related to the sale. Adjusted operating profit is presented to provide additional perspective on underlying trends in Patriot's core operating results. A reconciliation between operating profit and adjusted operating profit is as follows:

	Twelve months ended	
	September 30, 2022	September 30, 2021
Operating profit	9,299	880
Adjustments:		
Gain on sale of terminal sites	(8,330)	(1,614)
One-time transaction bonus	394	–
Adjusted operating profit (loss)	1,363	(734)

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains its operating accounts with Wells Fargo Bank, N.A. and these accounts directly sweep overnight against the Wells Fargo revolver. Our revolver has a maximum amount available of $15 million and as of September 30, 2022, we had no debt outstanding on this revolver, $1,461,000 letters of credit and $13,539,000 available for additional borrowings. The Company expects our fiscal year 2023 cash generation to cover the cost of our operations and our budgeted capital expenditures.

Cash Flows - The following table summarizes our cash flows from operating, investing and financing activities for each of the periods presented (in thousands of dollars):

Years Ended September 30		2022	2021	2020
Total cash provided by (used for):				
Operating activities	$	4,235	2,772	9,382
Investing activities		5,661	2,173	(4,079)
Financing activities		(12,493)	(10,008)	(10,557)
Increase (decrease) in cash and cash equivalents	$	(2,597)	(5,063)	(5,254)
Outstanding debt at the beginning of the period	$	—	—	—
Outstanding debt at the end of the period	$	—	—	—

Operating Activities - Net cash provided by operating activities (as set forth in the cash flow statement) was $4,235,000 for the year ended September 30, 2022, $2,772,000 in 2021 and $9,382,000 in 2020. The total of net income plus depreciation and amortization less gains on sales of property and equipment decreased $2,244,000 versus last year. These changes are described above under "Comparative Results of Operations". Prepaid insurance in fiscal year 2021 increased $2,007,000 due to collateral payments into our insurance captive reducing our letters of credit. These changes comprise the majority of the decrease in net cash provided by operating activities.

Investing Activities – Investing activities include the purchase of property and equipment, any business acquisitions and proceeds from sales of property and equipment upon retirement. For the year ended September 30, 2022, cash provided by investing activities was $5,661,000 which included the proceeds from retirements net of the purchase of property, plant and equipment. For the year ended September 30, 2021, cash provided by investing activities was $2,173,000 which included the proceeds from retirements net of the purchase of property, plant and equipment.

For the year ended September 30, 2020, cash used in investing activities was $4,079,000 which included $3,079,000 for the purchase of plant, property and equipment net of proceeds from retirements and $1,000,000 for the acquisition of Danfair Transport.

Financing Activities – Financing activities primarily include net changes to our outstanding revolving debt and proceeds from the sale of shares of common stock through employee equity incentive plans and dividends. For the year ended September 30, 2022, cash used in financing activities was $12,493,000 due to dividends paid offset by proceeds from exercised stock options. For the year ended September 30, 2021, cash used in financing activities was $10,008,000 primarily due to dividends paid. The Company had no outstanding long-term debt on September 30, 2022 or September 30, 2021.

For the year ended September 30, 2020, cash used in financing activities was $10,557,000 due to dividends paid in the second quarter.

Credit Facilities - The Company has a five-year credit agreement with Wells Fargo Bank N.A. which provides a $15 million revolving line of credit with a $10 million sublimit for stand-by letters of credit. The amounts outstanding under the credit agreement bear interest at a rate of 1.1% over the Secured Overnight Financing Rate ("SOFR"), which may change quarterly based on the Company's ratio of consolidated total debt to consolidated total capital. A commitment fee of 0.12% per annum is payable quarterly on the unused portion of the commitment. The credit agreement contains certain conditions and financial covenants, including a minimum tangible net worth. As of September 30, 2022, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of $1,994,000 combined.

Cash Requirements - The Company currently expects its fiscal 2023 capital expenditures to be approximately $12 million for replacement equipment which we expect to be fully funded by our cash generated from our operations.

The Company projects that cash flows from operating activities, cash on hand and the funds available under its revolving credit agreement will be adequate to finance its capital expenditures, any dividends paid 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

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Accounting estimates are considered to be critical if (1) the nature of the estimates and assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and (2) the impact of the estimates and assumptions on financial condition or operating performance is material. Actual results could differ from the estimates and assumptions used. Management of the Company considers the following accounting policies critical to the reported operations of the Company:

Accounts Receivable Valuation. The Company is subject to customer credit risk that could affect the collection of outstanding accounts receivable. 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 collectability of outstanding receivables 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 Impairment of Tangible and Intangible Assets. Property and equipment is recorded at cost less accumulated depreciation. Provision for depreciation of property 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

The Company periodically reviews property and equipment for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. The analysis 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 and other intangible assets. Changes in estimates or assumptions could have an impact on the Company's financials.

Claims and Insurance Accruals. 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 liability claims of $250,000 and $500,000 for workers' compensation claims 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 based upon independent actuarial analysis, insurance company estimates, and our monthly review of claims reserve changes. In making claim reserve changes we rely upon estimates of our insurance company adjusters, attorney evaluations, and judgment of our management. Our estimates require judgment concerning the nature, severity, comparative liability, jurisdiction, legal and investigative costs of each claim. Claims involving serious injury have greater uncertainty of the eventual cost. In the past, our estimate of the amount of individual claims has increased from insignificant amounts to the full deductible as we learn more information about the claim in subsequent periods. We obtain an independent actuarial analysis at least twice annually to assist in estimating the total loss reserves expected on claims including claim development and incurred but not reported claims. Payments made under a captive agreement for each year's loss fund are scheduled in advance using actuarial methodology. The captive agreement provides that we will share in the underwriting results, good or bad, within a $250,000 per occurrence layer of loss through retrospective premium adjustments. Including the potential exposure in the captive we have $3.9 million of estimated insurance liabilities. In the event that actual costs for these claims are different than estimates we will have adjustments in future periods. It is likely that we will experience either gains or losses of 5-10% of prior year estimated insurance liabilities in any year. We also retain exposure on employee health benefits up to $250,000 per covered participant each calendar year plus a $84,500 aggregate deductible for any claims exceeding $250,000. We estimate claim liability using historical payment trends and specific knowledge of larger claims. Health claims are expensed as the health services are rendered so there is only a two-month lag in payments on average. We are usually aware of the larger claims before closing each accounting period reducing the amount of uncertainty of the estimate. Our accrued insurance liabilities for retiree benefits are recorded by actuarial calculation. Our total accrued insurance liabilities as of September 30, 2022, 2021, and 2020 amounted to $2.5 million, $2.6 million, and $3.1 million, respectively.

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, 2022, 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 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.

INFLATION

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, inflation has been fairly modest with its impacts mostly related to equipment prices, tire prices and the compensation paid to drivers.

In addition to inflation, fluctuations in fuel prices can affect profitability. Most of the Company's contracts with customers contain fuel surcharge provisions. Although the Company historically has been able to pass through most long-term increases in fuel prices and operating taxes to customers in the form of surcharges and higher rates, there is no guarantee that this will be possible in the future. See "Risk Factors—We may be adversely impacted by fluctuations in the price and availability of fuel."

SEASONALITY

Our business is subject to seasonal trends common in the refined petroleum products delivery industry. We typically face reduced demand for refined petroleum products delivery services during the winter months and increased demand during the spring and summer months. Further, operating costs and earnings are generally adversely affected by inclement weather conditions. These factors generally result in lower operating results during the first and second fiscal quarters of the year and cause our operating results to fluctuate from quarter to quarter. Our fuel efficiency is somewhat lower in colder months.

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 the impact of the COVID-19 pandemic and “stay home” orders, as well as increased vehicle fuel efficiency, other impacts of the COVID-19 pandemic on our operations and financial results; the increased popularity of electric vehicles; recessionary and terrorist impacts on travel in the Company’s markets; 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, including regulations regarding the transportation industry and regulations intended to reduce greenhouse gas emissions; cyber-attacks; pandemics; availability and terms of financing; competition in our markets; interest rates, inflation and general economic conditions. 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.

Consolidated Statements of Income *-Years Ended September 30*

(In thousands, except per share amounts)

	2022	2021	2020
Operating revenues	$ 87,882	81,268	88,713
Cost of operations:			
Compensation and benefits	37,906	36,198	39,426
Fuel expenses	13,288	9,630	10,297
Repairs & tires	5,760	5,402	5,940
Other operating	3,027	3,270	3,575
Insurance and losses	8,167	7,261	8,640
Depreciation expense	5,537	6,654	7,383
Rents, tags & utilities	2,650	2,708	2,933
Sales, general & administrative	9,306	8,764	8,936
Corporate expenses	2,011	1,936	2,114
Gain on sale of terminal sites	(8,330)	(1,614)	–
Loss (gain) on disposition of PP&E	(739)	179	(774)
Total cost of operations	78,583	80,388	88,470
Total operating profit	9,299	880	243
Interest income and other	62	5	135
Interest expense	(18)	(27)	(31)
Income before income taxes	9,343	858	347
Provision for income taxes	2,153	233	90
Net income	$ 7,190	625	257
Earnings per common share:			
Net income-			
Basic	$ 2.08	.18	.08
Diluted	$ 1.98	.18	.08
Number of shares (in thousands) used in computing:			
-basic earnings per common share	3,459	3,395	3,369
-diluted earnings per common share	3,623	3,408	3,370

Consolidated Statements of Comprehensive Income *-Years Ended September 30*

(In thousands)

	2022	2021	2020
Net income	$ 7,190	625	257
Other comp. income (loss) net of tax:			
Unrealized investment losses, net	(5)	—	—
Loss on retiree health, net	(13)	(16)	(18)
Reclassification adjust for net investment gains realized in net income	—	—	(5)
Comprehensive income	$ 7,172	609	234

See notes to consolidated financial statements

(In thousands, except share data)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 8,302	10,899
Accounts receivable (net of allowance for doubtful accounts of $68 and $86, respectively)	5,296	4,930
Inventory of parts and supplies	1,006	871
Prepaid tires on equipment	1,486	1,317
Prepaid taxes and licenses	378	448
Prepaid insurance	3,927	4,614
Prepaid expenses, other	163	299
Total current assets	20,558	23,378
Property, plant and equipment, at cost:		
Land	1,911	2,544
Buildings	4,897	5,596
Equipment	66,008	69,041
	72,816	77,181
Less accumulated depreciation	52,567	54,497
	20,249	22,684
Operating lease right-of-use assets	2,424	1,949
Goodwill	3,637	3,637
Intangible assets, net	556	756
Other assets, net	142	156
Total assets	$ 47,566	52,560
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 1,964	1,858
Federal and state taxes payable	594	263
Accrued payroll and benefits	3,208	2,939
Accrued insurance	1,053	1,105
Accrued liabilities, other	1,010	1,742
Operating lease liabilities, current portion	884	928
Total current liabilities	8,713	8,835
Operating lease liabilities, less current portion	1,705	1,131
Deferred income taxes	3,631	4,062
Accrued insurance	1,476	1,537
Other liabilities	854	879
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred stock, 5,000,000 shares authorized, of which 250,000 shares are designated Series A Junior Participating Preferred Stock; $0.01 par value; none issued and outstanding	—	—
Common stock, $.10 par value; (25,000,000 shares authorized; 3,484,004 and 3,415,643 shares issued and outstanding, respectively	348	342
Capital in excess of par value	39,958	39,257
Accumulated deficit	(9,190)	(3,572)
Accumulated other comprehensive income, net	71	89
Total shareholders' equity	31,187	36,116
Total liabilities and shareholders' equity	$ 47,566	52,560

See notes to consolidated financial statements

(In thousands)

Cash flows from operating activities:		2022	2021	2020
Net income	$	7,190	625	257
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		6,106	7,202	7,976
Non-cash lease expense		960	1,015	1,095
Non-cash gain of acquisition-related contingent consideration		—	(16)	(340)
Deferred income taxes		(431)	(1,025)	(1,150)
Gain on asset dispositions		(9,130)	(1,472)	(774)
Stock-based compensation		392	467	574
Net changes in operating assets and liabilities:				
Accounts receivable		(366)	75	1,583
Inventory of parts and supplies		(135)	32	46
Prepaid expenses		724	(2,007)	735
Other assets		(6)	28	312
Accounts payable and accrued liabilities		(409)	(682)	(939)
Income taxes payable and receivable		331	(21)	574
Operating lease liabilities		(905)	(1,079)	(1,152)
Long-term insurance liabilities and other long-term liabilities		(86)	(370)	585
Net cash provided by operating activities		4,235	2,772	9,382
Cash flows from investing activities:				
Purchase of property and equipment		(5,248)	(910)	(5,045)
Business acquisition		—	—	(1,000)
Proceeds from the sale of property, plant and equipment		10,909	3,083	1,966
Net cash provided by (used in) investing activities		5,661	2,173	(4,079)
Cash flows from financing activities:				
Dividends paid		(12,808)	(10,132)	(10,557)
Proceeds from exercised stock options		315	124	—
Net cash used in financing activities		(12,493)	(10,008)	(10,557)
Net increase (decrease) in cash and cash equivalents		(2,597)	(5,063)	(5,254)
Cash and cash equivalents at beginning of year		10,899	15,962	21,216
Cash and cash equivalents at end of the year	$	8,302	10,899	15,962
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	$	16	25	28
Income taxes	$	2,248	1,273	658
Non-cash investing and financing activities:				
Right-of-use assets obtained in exchange for operating lease liabilities	$	1,453	—	—

See notes to consolidated financial statements.

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings/ (Accumulated) Deficit	Accumulated Other Comprehensive Income, net	Total Stockholders' Investment
Balance as of October 1, 2019	3,351,329	$ 335	$ 38,099	$ 16,235	$ 128	$ 54,797
Stock-based compensation	—	—	239	—	—	239
Shares granted to Directors	25,950	3	332	—	—	335
Cash dividends ($3.15 per share)	—	—	—	(10,557)	—	(10,557)
Net income	—	—	—	257	—	257
Loss on retiree health, net	—	—	—	—	(18)	(18)
Reclassification adjustment of realized gain, net	—	—	—	—	(5)	(5)
Balance as of September 30, 2020	3,377,279	$ 338	$ 38,670	$ 5,935	$ 105	$ 45,048
Stock-based compensation	—	—	248	—	—	248
Exercise of stock options	13,497	1	123	—	—	124
Shares granted to Directors	24,867	3	216	—	—	219
Cash dividends ($3.00 per share)	—	—	—	(10,132)	—	(10,132)
Net income	—	—	—	625	—	625
Loss on retiree health, net	—	—	—	—	(16)	(16)
Balance as of September 30, 2021	3,415,643	$ 342	$ 39,257	$ (3,572)	$ 89	$ 36,116
Stock-based compensation	—	—	212	—	—	212
Exercise of stock options	46,377	4	311	—	—	315
Shares granted to Directors	21,984	2	178	—	—	180
Cash dividends ($3.75 per share)	—	—	—	(12,808)	—	(12,808)
Net income	—	—	—	7,190	—	7,190
Unrealized investment losses, net	—	—	—	—	(5)	(5)
Loss on retiree health, net	—	—	—	—	(13)	(13)
Balance as of September 30, 2022	3,484,004	$ 348	$ 39,958	$ (9,190)	$ 71	$ 31,187

1. Accounting Policies.

DESCRIPTION OF BUSINESS - The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc., is to transport petroleum and other liquids and dry bulk commodities. We do not own any of the products we haul, rather, we act as a third-party carrier to deliver our customers' products from point A to point B predominately using Company employees driving Company owned tractors and tank trailers. Approximately 85% of our business consists of hauling liquid petroleum products (mostly gas and diesel fuel) from large scale fuel storage facilities to our customers' retail outlets (e.g. convenience stores, truck stops and fuel depots) where we off-load the product into our customers' fuel storage tanks for ultimate sale to the retail consumer. The remaining 15% of our business consists of hauling our customers' dry bulk commodities such as cement, lime and various industrial powder products, water and liquid chemicals. Our operations are comprised of one reportable segment.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts, certain assets, liabilities, and expenses of Patriot and its wholly owned subsidiaries that comprise the Company. All significant intercompany transactions within the consolidated entity have been eliminated.

CASH AND CASH EQUIVALENTS – The Company considers all highly liquid debt instruments with maturities of three months or less at time of purchase and treasury bills to be cash equivalents. Bank overdrafts consist of outstanding checks not yet presented to a bank for settlement, net of cash held in accounts with right of offset.

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

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 - Revenue 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.

The Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers" on October 1, 2018. Management has identified that a legally enforceable contract with its customers is executed by both parties at the point of pickup of the shipper's product, as evidenced by the bill of lading. Although the Company may have master agreements with its customers, these master agreements only establish terms. There is no financial obligation to the shipper until the Company takes possession of the load and there are no significant performance obligations after delivery. Revenue is recognized for each individual load and the amount of revenue in progress at the end of each quarter is insignificant. There is no significant amount of judgment or uncertainty in recording revenue.

Our revenues are primarily based on a set rate per volume of product hauled to arrive at a desired rate per mile traveled. The rate also incorporates the cost of fuel at an assumed price plus fuel surcharges to address the fluctuation in fuel prices. Over time, the fuel surcharge tables in the industry have become so numerous and varied, both by carriers and customers, that they have simply become a part of the overall rating structure to arrive at that desired price per mile by market. We consider fuel surcharge revenue to be revenue from services rather than other revenues. As a result, the Company determined there is no reason to report fuel surcharges as a separate revenue line item and fuel surcharges are reported as part of Operating revenues. Prior periods have been revised for consistency.

ACCOUNTS RECEIVABLE - 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 collectibility of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms. Any trade accounts receivable balances written off are charged against the allowance for doubtful accounts. The Company has not experienced any significant credit-related losses in the past three years.

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

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

The Company recorded depreciation expenses for 2022, 2021 and 2020 of $5,904,000, $7,014,000 and $7,780,000, respectively. Gains and losses upon disposition are reflected in operating results in the period of disposition. Direct internal and external costs to implement computer systems and internal-use software are capitalized. Capitalized costs are depreciated over the estimated useful life of the system or software, generally 5 years, beginning when site installation or module development is complete and ready for use.

IMPAIRMENT OF LONG-LIVED ASSETS - The Company periodically reviews its long-lived assets, which include property and equipment and purchased intangible assets subject to amortization, for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. The analysis 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.

GOODWILL – Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. Goodwill is not amortized, but rather is tested for impairment annually and when events or changes in circumstances indicate that the fair value of a reporting unit with goodwill has been reduced below carrying value. The impairment test requires allocating goodwill and other assets and liabilities to reporting units. The Company's operations are comprised of one operating segment and therefore one reporting unit. The fair value of each reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, including goodwill, then the recorded goodwill is impaired to its implied fair value with a charge to operating 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 $84,500 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. Payments made under a captive agreement for each year's loss fund are scheduled in advance using actuarial methodology. The captive agreement provides that we will share in the underwriting results, good or bad, within a $250,000 per occurrence layer of loss through retrospective premium adjustments. 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 Company employees 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 related impact are discussed in Footnote 6.

PENSION PLAN - The Company has a defined benefit plan for certain key employees, See note 9 discussion of MSP Plan, and 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 States 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, impairment of tangible and intangible assets, provisions for uncollectible accounts 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.

RECENTLY ISSUED ACCOUNTING STANDARDS – In February 2016, the FASB issued ASU No. 2016-02, "Leases", which requires lessees to recognize a right-to-use asset and a lease liability for the obligation to make lease payments measured at the present value of the lease payments for all leases with terms greater than twelve months. The provisions of this update and additional guidance in subsequent ASUs became effective for us beginning October 1, 2019. In July 2018, the FASB issued ASU No. 2018-11, "Leases" which provides an optional transition method allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, with no restatement of comparative prior periods required. We adopted the standard using this optional transition method. Upon adoption as of October 1, 2019, the Company recognized $3,873,000 in operating lease right-of-use assets, a reduction of $231,000 of other long-term liabilities related to straight-lined leases and $4,104,000 in operating lease liabilities.

There were other recently issued accounting standards that became effective that did not have a material impact on the Company's financial statements.

2. Related Party Agreements.

The Company provides FRP Holdings, Inc. (FRP) certain services including the services of certain shared executive officers. FRP may be considered a related party due to common significant shareholder ownership and shared common officers. A written agreement exists outlining the terms of such services and the boards of the respective companies amended and extended this agreement for one year effective April 1, 2022.

The consolidated statements of income reflect charges and/or allocation to FRP Holdings, Inc. for these services of $923,000, $1,207,000, and $1,283,000 for fiscal 2022, 2021 and 2020, respectively. Included in the charges above are amounts recognized for corporate executive stock-based compensation expense. These charges are reflected as a reduction to Patriot corporate expenses.

We employ an allocation method to allocate said expenses and thus we believe that the allocations to FRP are a reasonable approximation of the costs related to FRP's operations, but any such related-party transactions cannot be presumed to be carried out on an arm's-length basis.

3. Debt.

The Company had no long-term debt outstanding at September 30, 2022 and September 30, 2021.

On July 6, 2021, Patriot Transportation Holding, Inc. (the "Company") entered into the 2021 Amended and Restated Credit Agreement (the "The Amended and Restated Credit Agreement") with Wells Fargo Bank, N.A. ("Wells Fargo"). The Amended and Restated Credit Agreement modifies the Company's prior Credit Agreement with Wells Fargo, dated January 30, 2015, as amended by that certain First Amendment dated December 28, 2018. The Amended and Restated Credit Agreement establishes a five-year revolving credit facility with a maximum facility amount of $15 million, with a separate sublimit for standby letters of credit. The credit facility limit may be increased to $25 million upon request by the Company, subject to the lender's discretion and the satisfaction of certain conditions. The interest rate under the Amended and Restated Credit Agreement is 1.10% over the Secured Overnight Financing Rate ("SOFR"). A commitment fee of 0.12% per annum is payable quarterly on the unused portion of the commitment. The Amended and Restated Credit Agreement contains certain conditions, affirmative financial covenants and negative covenants including a minimum tangible net worth of $25 million. As of September 30, 2022, we had no outstanding debt borrowed on this revolver, $1,461,000 in commitments under letters of credit and $13,539,000 available for additional borrowings. The letter of credit fee is 1% and the applicable interest rate for borrowings would have been 4.08% on September 30, 2022.

This credit agreement contains certain conditions, affirmative financial covenants and negative covenants including a minimum tangible net worth. The Company was in compliance with all of its loan covenants as of September 30, 2022. As of September 30, 2022, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of $1,994,000 combined.

4. Leases.
The Company leases certain assets under operating leases, which primarily consist of real estate leases for the corporate office and some of our terminal locations and 29 full-service leased 2019 model year tractors. Certain operating leases provide for renewal options, which can vary by lease and are typically offered at their fair rental value. The Company has not made any residual value guarantees related to its operating leases. Operating leases with an initial term of more than 12 months are included in our Consolidated Balance Sheets as discounted liabilities and corresponding right-of-use assets consisting of the following (in thousands):

	Asset (Liability) Balance As of September 30, 2022	2021
Right-of-use-assets	$ 2,424	1,949
Lease liabilities, current	$ (884)	(928)
Lease liabilities, long-term	$ (1,705)	(1,131)

As the Company's operating leases do not provide an implicit rate, the Company utilized its incremental borrowing rate determined by obtaining a quote from their lender and applied to the individual leases. The assumptions underlying the calculation of the Company's right-of-use assets and lease liabilities are disclosed below.

	September 30, 2022 Weighted-average Remaining lease term	Weighted-average Discount rate
Revenue equipment and other leases	1.1 years	3.50%
Real estate leases	1.2 years	3.28%

Future minimum annual lease payments for assets under operating leases as of September 30, 2022 are as follows (in thousands):

Fiscal Year	Total
2023	$ 943
2024	439
2025	245
2026	158
2027	158
Thereafter	730
Total future minimum lease payments	$ 2,673
Less: Imputed Interest	(84)
Present value of operating lease liabilities	$ 2,589

Aggregate expense under operating leases was $1,062,000, $1,097,000 and $1,216,000 for 2022, 2021 and 2020, respectively. Certain operating leases include rent escalation provisions, which are recognized as expense on a straight-line basis.

5. Earnings Per 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.

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

	Years Ended September 30 2022	2021	2020
Common shares:			
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	3,459	3,395	3,369
Common shares issuable under share based payment plans which are potentially dilutive	164	13	1
Common shares used for diluted earnings per common share	3,623	3,408	3,370
Net income	$ 7,190	625	257
Earnings per common share			
Basic	$ 2.08	.18	.08
Diluted	$ 1.98	.18	.08

For 2022 and 2021, 58,884 and 500,950 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.

6. Stock-Based Compensation Plans.
PARTICIPATION IN FRP PLANS - Prior to the Company's spin-off from FRP Holdings, Inc. (FRP) in January 2015, the Company's directors, officers and key employees previously were eligible to participate in FRP's 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.

POST SPIN-OFF PATRIOT INCENTIVE STOCK PLAN - As part of the spin-off transaction, the Board of Directors of the Company adopted the Patriot Transportation Holding, Inc. Incentive Stock Plan. ("Patriot Plan") in January 2015. In exchange for all outstanding FRP options held on January 30, 2015, existing Company directors, officers and key employees holding option grants in the FRP Stock Option Plan(s) were issued new grants in the Patriot and FRP Plans based upon the relative value of Patriot and FRP immediately following the completion of the spin-off with the same remaining terms. All related compensation expense has been allocated to the Company (rather than FRP) and included in corporate expenses. The number of common shares available for future issuance in the Patriot Plan was 35,811 at September 30, 2022.

On November 15, 2021, the Company paid an extraordinary dividend of $3.75 per share to all shareholders of record. In accordance with Section 4.2 of the 2006 Stock Incentive Plan, Section 11 of the 2014 Equity Incentive Plan, and Section 409A of the Internal Revenue Code, the Company has adjusted the terms of all stock option grants outstanding and the stock appreciation rights as of the close of business on November 15, 2021.

On December 30, 2020, the Company paid an extraordinary dividend of $3.00 per share to all shareholders of record. In accordance with Section 4.2 of the 2006 Stock Incentive Plan, Section 11 of the 2014 Equity Incentive Plan, and Section 409A of the Internal Revenue Code, the Company has adjusted the terms of all stock option grants outstanding and the stock appreciation rights as of the close of business on December 30, 2020.

On January 30, 2020, the Company paid an extraordinary dividend of $3.00 per share to all shareholders of record. In accordance with Section 4.2 of the 2006 Stock Incentive Plan, Section 11 of the 2014 Equity Incentive Plan, and Section 409A of the Internal Revenue Code, the Company has adjusted the terms of all stock option grants outstanding and the stock appreciation rights as of the close of business on January 30, 2020.

Patriot 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 or modification. The revised assumptions due to the revaluation are dividend yield of 0%, expected volatility between 38% and 55%, risk-free interest rate of .12 to .87% and expected life of 0.8 to 6.0 years.

The dividend yield of 0% was based on no anticipated regular quarterly dividend at the date of modification for the extraordinary dividend. Expected volatility is estimated based on 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 or modification 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.

In December 2016, the Company approved and issued a long-term performance incentive to an officer in the form of stock appreciation rights. As adjusted for the extraordinary dividend the Company granted 257,009 stock appreciation rights. The adjusted market price of the grant was $8.66, and the executive will get a cash award at age 65 based upon the stock price at that date compared to the adjusted market price of $8.66 but in no event will the award be less than $500,000. The Company is expensing the fair value of the award over the 9.1-year vesting period to the officer's attainment of age 65, with periodic adjustments to the liability estimate based upon changes in the assumptions used to calculate the liability. The accrued liability under this plan as of September 30, 2022 and 2021 was $402,000 and $372,000, respectively.

The annual director stock grant was 18,900 shares at $8.24 and 3,084 shares at $8.00 in fiscal 2022, 24,867 shares at $8.80 in fiscal 2021, and 25,950 shares at $12.90 in fiscal 2020, based on the market prices indicated on the date of the grants.

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

	Years Ended September 30		
	2022	2021	2020
Stock option grants	$ 212	248	239
Annual director stock award	180	219	335
	$ 392	467	574

A summary of Company stock options is presented below (in thousands, except share and per share amounts):

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, 2019	189,015	$ 21.49	6.3	$ 1,531
Dividend Adjustment	148,877			
Granted	68,865	18.40		275
Forfeited	(6,035)	23.99		(57)
Outstanding at				
September 30, 2020(a)	400,722	$ 14.96	6.6	$ 1,749
Dividend Adjustment	148,067			
Granted	78,345	10.00		275
Exercised	(13,497)	9.17		(45)
Forfeited	(9,632)	13.88		(48)
Outstanding at				
September 30, 2021(b)	604,005	$ 10.80	6.5	$ 1,931
Dividend Adjustment	288,099			
Exercised	(46,377)	6.81		(88)
Forfeited	(67,975)	6.19		(112)
Outstanding at				
September 30, 2022(c)	777,752	$ 7.44	5.3	$ 1,731
Exercisable at				
September 30, 2022	534,529	$ 7.95	4.4	$ 1,314
Vested during twelve months ended				
September 30, 2022	132,331			$ 251

(a) The Company stock option intrinsic values were adjusted as of January 30, 2020, the date of the extraordinary dividend. Stock option activity, including the weighted average exercise price, was not retroactively adjusted.

(b) The Company stock option intrinsic values were adjusted as of December 30, 2020, the date of the extraordinary dividend. Stock option activity, including the weighted average exercise price, was not retroactively adjusted.

(c) The Company stock option intrinsic values were adjusted as of November 15, 2021, the date of the extraordinary dividend. Stock option activity, including the weighted average exercise price, was not retroactively adjusted.

The following table summarizes information concerning stock options outstanding at September 30, 2022:

Range of Exercise Prices per Share	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Life
Non-exercisable:			
$5.14 - $6.94	205,102	6.09	7.5
$6.95 - $9.38	38,121	7.49	6.0
	243,223	$6.31	7.2 Years
Exercisable:			
$5.14 - $6.94	148,983	6.58	6.5
$6.95 - $9.38	326,662	8.08	3.9
$9.39 - $12.68	58,884	10.72	1.7
	534,529	$7.95	4.4 Years
Total (a)	777,752	$7.44	5.3 Years

(a) The Company stock option intrinsic values were adjusted as of November 15, 2021, the date of the extraordinary dividend. Stock option activity, including the weighted average exercise price, was not retroactively adjusted.

The aggregate intrinsic value of exercisable Company options was $337,000 and the aggregate intrinsic value of all outstanding in-the-money options was $713,000 based on the Company's market closing price of $7.86 on September 30, 2022 less exercise prices.

The realized tax benefit from option exercises during fiscal 2022 was $18,000. The unrecognized compensation expense of Patriot options granted as of September 30, 2022 was $355,000, which is expected to be recognized over a weighted-average period of 2.5 years.

7. Income Taxes.

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

	2022	2021	2020
Current:			
Federal	$2,365	955	952
State	213	297	280
	2,578	1,252	1,232
Deferred	(425)	(1,019)	(1,142)
Total	$2,153	233	90

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

	2022	2021	2020
Amount computed at statutory Federal rate	$1,957	179	75
State income taxes (net of Federal income tax benefit)	320	38	14
Other, net	(124)	16	1
Provision for income taxes	$2,153	233	90

In this reconciliation, the category "Other, net" consists of changes in permanent tax differences related to non-deductible expenses, goodwill tax amortization, 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):

	2022	2021
Deferred tax liabilities:		
Property and equipment	$4,190	4,547
Prepaid expenses	1,044	1,149
Gross deferred tax liabilities	5,234	5,696
Deferred tax assets:		
Insurance liabilities	551	583
Employee benefits and other	1,052	1,051
Gross deferred tax assets	1,603	1,634
Net deferred tax liability	$3,631	4,062

The Company has no unrecognized tax benefits.

Tax returns in the U.S. and various states are subject to audit by taxing authorities. As of September 30, 2022, the earliest tax year that remains open for audit in the Unites States is 2017. We do not have any material unpaid assessments.

8. Accrued Insurance.
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. Payments made under a captive agreement for each year's risk loss fund are scheduled in advance using actuarial methodology. Captive insurance assets available to us to settle risk insurance liabilities are not reported on our balance sheet as we do not control or consolidate the captive.

The accrued insurance liability at September 30 is summarized as follows (in thousands):

	2022	2021
Accrued insurance, current portion	$1,053	1,105
Prepaid insurance claims	(2,285)	(3,088)
Accrued insurance, non-current	1,476	1,537
Total accrued (prepaid) insurance reported on the Company's balance sheet	$ 244	(446)
Captive agreement assets	3,672	4,021
Gross insurance liability estimate	$3,916	3,575

9. Employee Benefits.
The Company and certain subsidiaries and related entities (FRP) 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. Patriot 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 $447,000 in 2022, $482,000 in 2021 and $534,000 in 2020.

The Company has a Management Security Plan (MSP) for certain key employees. The accruals for future benefits are based upon the remaining years to retirement of the participating employees and other actuarial assumptions. The expense for fiscal 2022, 2021 and 2020 was $15,000, $17,000 and $19,000, respectively. The accrued benefit related to the Company under this plan as of September 30, 2022 and 2021 was $416,000 and $468,000, 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 Patriot. The plan is contributory and unfunded. The Company accrues its allocated estimated cost of retiree health benefits over the years that the employees render service. The accrued postretirement benefit obligation for this plan related to the Company as of September 30, 2022 and 2021 was $267,000 and $252,000, respectively. The net periodic postretirement benefit credit or cost allocated to the Company was $(5,000), $(8,000) and $(12,000) for fiscal 2022, 2021 and 2020, respectively. The discount rate used in determining the Net Periodic Postretirement Benefit Cost was 4.0% for 2022, 3.0% for 2021 and 3.0% for 2020. The discount rate used in determining the Accumulated Postretirement Benefit Obligation (APBO) was 4.0% for 2022, 3.0% for 2021, and 3.0% for 2020. No medical trend is applicable because the Company's share of the cost is frozen.

10. 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.

At September 30, 2022 and September 30, 2021, the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and other financial instruments approximate their fair value based upon the short-term nature of these items.

11. Contingent Liabilities.
The Company is involved in litigation on a number of matters and is 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 may be understated or overstated but the possible range cannot 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 financial condition, results of operations or cash flows.

12. Concentrations.
MARKET - The Company primarily serves customers in the petroleum industry in the Southeastern U.S. Significant economic disruption or downturn in this geographic region or within the industry could have an adverse effect on our financial statements.

CUSTOMERS - During fiscal 2022, the Company's ten largest customers accounted for approximately 58.7% of our revenue and one of these customers accounted for 18.3% of our revenue. Accounts receivable from the ten largest customers was $2,861,000 and $2,843,000 at September 30, 2022 and September 30, 2021, respectively. The loss of one or more of our major customers could have a material adverse effect on the Company's revenues and income.

DEPOSITS - Cash and cash equivalents are comprised of cash and an FDIC insured investment account at Wells Fargo Bank, N.A. and U.S. Treasury bills. The balance in the cash account may exceed FDIC limits.

13. Unusual or Infrequent Items Impacting Results.
The Company recorded gains due to the reversal of the estimated contingent liability related to the Danfair acquisition. The earned payout liability, estimated to be $425,000 on the date of acquisition, was later determined to be $69,000 based upon the total revenues for the 12 months following the acquisition. Changes in the estimated earned payout liability, up to the total contractual amount, were reflected in our results of operations in the periods in which they are identified. The Company recorded gains during fiscal years 2021 and 2020 of $16,000 and $340,000, respectively.

Second quarter 2021 net income included $1,037,000, or $.31 per share, from gains on the sale of our former terminal location in Pensacola, FL. Third quarter 2021 net income included $133,000, or $.04 per share, from gains on the sale and partial leaseback of our terminal in Chattanooga, TN.

First quarter 2022 net income included $6,281,000, or $1.70 per share, from gains on the sale of our former terminal location in Tampa, FL.

14. Goodwill and Intangible Assets.
The changes in gross carrying amounts of goodwill are as follows (in thousands):

		Goodwill
October 1, 2019	$	3,431
Danfair Transport acquisition		206
September 30, 2020		3,637
No activity		—
September 30, 2021		3,637
No activity		—
September 30, 2022	$	3,637

The Company assesses goodwill for impairment on an annual basis in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The Company reviews intangible assets, including customer value, trade name and non-compete agreements, for impairment, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to be impaired, the impairment charge recognized is the amount by which the carrying amounts of the assets exceeds the fair value of the assets.

The gross amounts and accumulated amortization (including impairment) of identifiable intangible assets are as follows (in thousands):

	September 30, 2022		September 30, 2021	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortizable intangible assets:				
Customer value	4,440	3,885	4,440	3,689
Trade name	72	72	72	72
Non-compete	74	73	74	69
	$ 4,586	$ 4,030	$ 4,586	$ 3,830

Amortization expense for intangible assets was $200,000 for 2022 and it is included in sales, general and administrative expense. The trade names are amortized on a straight-line basis over the estimated useful life of three and a half years. Customer values are amortized based on the straight-line basis over the estimated remaining useful lives of ten to eleven years. Non-compete agreements are amortized based on a straight-line basis over the term of the non-compete agreement, typically three to five years.

Estimated amortization expense for the five succeeding years follows (in thousands):

		Amount
2023	$	197
2024		133
2025		44
2026		44
2027		44
Total	$	462

15. Business Acquisition.
The Company acquired certain assets of Danfair Transport out of Americus, GA on November 4, 2019.

The Company has accounted for this acquisition in accordance with the provisions of ASC 805, Business Combinations (ASC 805). The Company has allocated the purchase price of the business based upon the fair value of the assets acquired and liabilities assumed as follows (in thousands):

Consideration:		
Fair value of consideration transferred		(1,425)
Acquisition related costs expensed	$	38
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Property and equipment	$	759
Prepaid tires		25
Customer relationships		436
Non-compete agreement		12
Vacation liability assumed		(13)
Total identifiable net assets assumed	$	1,219
Goodwill		206
Total	$	1,425

The goodwill recorded resulting from the acquisition is tax deductible. The earned payout liability, estimated to be $425,000 on the date of acquisition, was later determined to be $69,000 based upon the total revenues for the 12 months following the acquisition. Changes in the estimated earned payout liability, up to the total contractual amount, were reflected in our results of operations in the periods in which they are identified. During fiscal years 2021 and 2020 the Company recorded gains on the contingent consideration of $16,000 and $340,000, respectively.

16. Subsequent Events.

None.

Management's Responsibility for the Financial Statements
Management of the Company is responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report on Form 10-K. The financial statements were prepared in conformity with accounting principles generally accepted in the United States appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this Annual Report on Form 10-K is consistent with that in the financial statements.

Management of the Company is responsible for establishing and maintaining a system of internal controls and procedures to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. Our internal control system is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel, and a written Code of Business Conduct adopted by our Company's Board of Directors, applicable to all officers and employees of our Company and subsidiaries.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. 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.

Management's Report on Internal Control Over Financial Reporting
Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 ("Exchange Act"). Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO") in Internal Control—Integrated Framework. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of September 30, 2022.

The Company's independent auditors, Hancock Askew& Co., LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company's Board of Directors, subject to ratification by our Company's shareholders. Hancock Askew & Co., LLP has audited and reported on the consolidated financial statements of Patriot Transportation Holding, Inc. The report of the independent auditors is contained in this annual report.

Audit Committee's Responsibility
The Audit Committee of our Company's Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the Nasdaq Stock Market listing standards, the Exchange Act, and the Company's Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal controls and auditing and financial reporting matters. The Audit Committee reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit Committee. Our Audit Committee's Report can be found in the Company's Proxy Statement.

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

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Patriot Transportation Holding, Inc. (the Company) as of September 30, 2022 and 2021, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2022, 2021, and 2020, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2022, 2021, and 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters
The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Auto Liability and Workers' Compensation Claims Accrual – "Risk Accrual"

Description of the Matter
The Company is self-insured for a portion of its risk related to auto liability and workers' compensation. The Company retains the exposure on liability claims of $250,000 and $500,000 for worker's compensation claims and has third-party coverage for amounts exceeding the retention up to the amount of the policy limits. The Company accrues an expense for the cost of the self-insured portion of unpaid claims by evaluating the nature and severity of reported claims and by estimating future claims development based upon historical development trends. The actual cost to settle self-insured claim liabilities may differ from the Company's reserve estimates due to legal costs, claims that have been incurred but not reported, and various other uncertainties.

We identified the estimation of auto liability and workers' compensation claims accruals subject to self-insurance retention of $3.2 million as a critical audit matter. The accrual is included in "Accrued insurance" on the Company's consolidated balance sheet. Auto liability and workers' compensation unpaid claim liabilities are determined by projecting the estimated ultimate loss related to a claim, less actual costs paid to date. These estimates rely on the assumption that historical claim patterns are an accurate representation for future claims that have been incurred but not completely paid. The principal considerations for assessing auto liability and workers' compensation claims as a critical audit matter are the high level of estimation uncertainty related to determining the severity of these types of claims, the inherent subjectivity in management's judgment in estimating the total costs to settle or dispose of these claims, and high degree of auditor judgement and an increased extent of effort to test the Company's claims accruals.

How we Addressed the Matter in our Audit

- We tested the effectiveness of controls over auto liability and workers' compensation claims, including the completeness and accuracy of claim expenses and payments.

• We tested management's reconciliation of the reported claims data to the data submitted to their third-party actuary.

• We tested management's process for determining the auto liability and workers' compensation accrual, including testing the underlying claims data used as the basis for the actuarial analysis and testing current year claims and payment data.

• We tested management's comparison to selected loss accruals to the range established by management's third-party actuary and historical trends.

Impairment Assessment of Goodwill

Description of the Matter
As of September 30, 2022, the Company's goodwill was $3,637,000. As described in the footnotes to the consolidated financial statements, the Company assesses goodwill for impairment on an annual basis in the fourth quarter, or more frequently if events or changes in circumstances indicate that the fair value of the reporting unit with goodwill has been reduced below carrying value. The Company's operations are comprised of one operating segment and therefore one reporting unit. Management estimates the fair value of its reporting unit using a market approach.

We identified the impairment assessment of goodwill as a critical audit matter. The principal consideration for this determination is that management utilized significant judgment when estimating the fair value of its reporting unit. Auditing management's estimates regarding forecasts of revenues, operating expenses, and market multiples required a high level of subjectivity due to the estimate uncertainty of management's judgments.

How we Addressed the Matter in our Audit

• We tested the effectiveness of controls relating to the goodwill impairment assessment.

• We tested management's process for determining the fair value of the reporting unit. This included evaluating the appropriateness of the valuation method and testing the completeness, accuracy and relevance of data used by management.

• We evaluated the reasonableness of management's significant assumptions, including forecasted revenues and operating expenses. We tested whether these forecasts were reasonable and consistent with historical performance, and other evidence obtained in other areas of the audit.

• We tested the Company's use of the market approach including the reasonableness of selected multiples.

Hancock Askew & Co., LLP

Hancock Askew & Co., LLP

We have served as the Company's auditor since 2006.
Jacksonville, Florida
December 9, 2022

Director and Officers

Directors

Thompson S. Baker II (1)
Chairman of the Board of the Company
Senior Vice President, Vulcan Materials

John E. Anderson (2)(3)(4)
Former President and Chief Executive
Officer of Patriot Transportation Holding, Inc.

John D. Baker II (1)
Executive Chairman and Chief Executive
Officer of FRP Holdings, Inc.

Luke E. Fichthorn III (2)(3)(4)
Private Investment Banker,
Twain Associates

Charles D. Hyman (2)(3)(4)
President/Founder
Charles D. Hyman & Company

Eric K. Mann (2)(3)(4)
President and CEO,
YMCA of Florida's First Coast

(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

Robert E. Sandlin
President and Chief Executive Officer

Matthew C. McNulty
Vice President, Chief Operating Officer, Secretary and
Chief Financial Officer

John D. Klopfenstein
Controller, Treasurer and Chief Accounting Officer

James N. Anderson IV
Vice President of Safety and Risk Management

Patriot Transportation Holding, Inc.
200 West Forsyth Street, 7th Floor
Jacksonville, Florida, 32202
Telephone: (904) 396-5733

Annual Meeting
Due to the social distancing guidelines from the CDC, this year our Annual Shareholders meeting will be held virtually at 11 a.m. Eastern Standard Time on Wednesday, February 2, 2023. All shareholders are cordially invited to attend the Annual Shareholders meeting via a weblink titled "2023 Annual Shareholders Meeting" which will be posted on our website at www.patriottrans.com under *Investor Relations*.

Transfer Agent
American Stock Transfer & Trust Company
59 Maiden Lane
Plaza Level
New York, NY 10038
Telephone: 1-800-937-5449

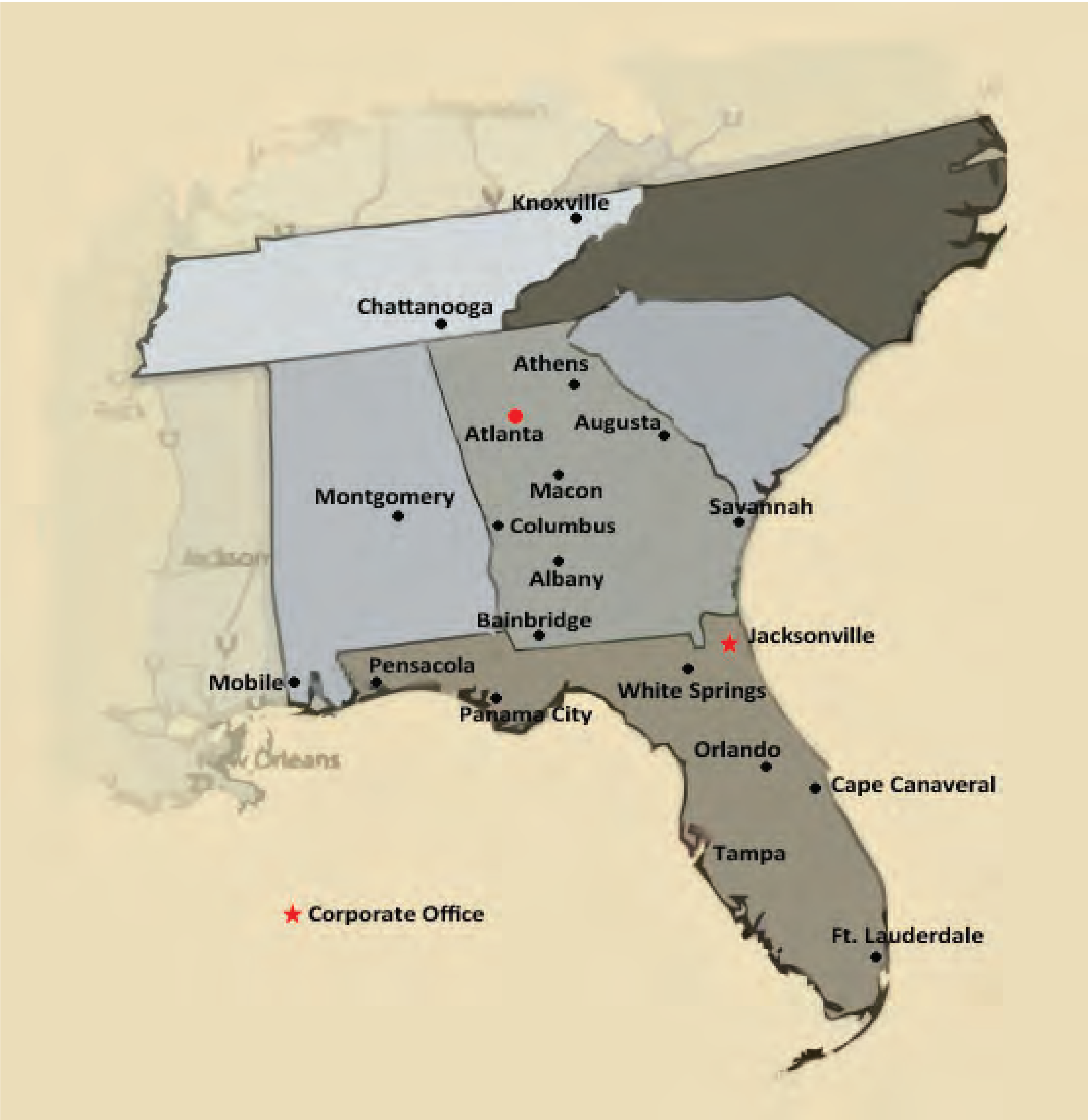
General Counsel
Nelson Mullins Riley & Scarborough LLP
Jacksonville, Florida

Independent Registered Public Accounting Firm
Hancock Askew & Co., LLP
Jacksonville, Florida

Common Stock Listed
The Nasdaq Stock Market
(Symbol: PATI)

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, 2022 as filed with the Securities and Exchange Commission by writing to the Treasurer at 200 West Forsyth Street, 7th Floor, 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.


Knoxville
Chattanooga
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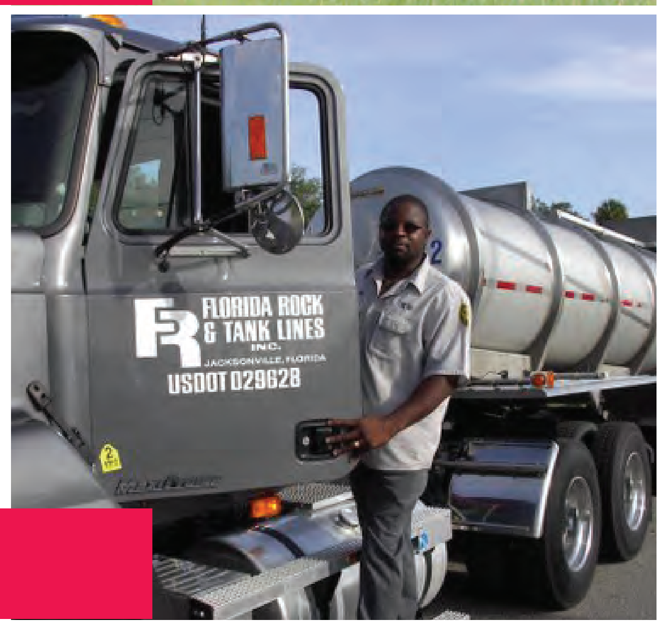
Bainbridge
Jacksonville
Pensacola
Mobile
White Springs
Panama City
Orlando
Cape Canaveral
Tampa
Corporate Office
Ft. Lauderdale

Safely Delivering Our Customers’ Products On Time and Accurately

Bulk Fuel

Dry Bulk



Chemical

NASDAQ: PATI
PATRIOT TRANSPORTATION HOLDING, INC.
200 W. FORSYTH STREET, 7TH FLOOR
JACKSONVILLE, FLORIDA 32202