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FORM 10-K

P&F INDUSTRIES INC - PFIN

Filed: March 31, 1998 (period: December 31, 1997)

Annual report with a comprehensive overview of the company

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1 - 5332

P & F INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE 22-1657413
(State of incorporation) (I.R.S. Employer Identification Number)

300 SMITH STREET, FARMINGDALE, NEW YORK 11735
(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (516) 694-1800

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Class A Common Stock, \$1.00 par value	The NASDAQ Stock Market

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the last sale price on March 16, 1998, was approximately \$13,766,690.

As of March 16, 1998, there were outstanding 3,134,345 shares of the Registrant's Class A Common Stock, par value \$1.00 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference information from the Registrant's definitive Proxy Statement for the 1998 Annual Meeting of Stockholders.

P & F INDUSTRIES, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

TABLE OF CONTENTS

PART I

PAGE

Item 1.	Business	1 - 3
Item 2.	Properties	3
Item 3.	Legal Proceedings	3
Item 4.	Submission of Matters to a Vote of Security Holders	3

PART II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	4
Item 6.	Selected Financial Data	5
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	6 - 10
Item 8.	Financial Statements and Supplementary Data	11 - 38
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	39

PART III

Item 10.	Directors and Executive Officers of the Registrant	39
Item 11.	Executive Compensation	39
Item 12.	Security Ownership of Certain Beneficial Owners and Management	39
Item 13.	Certain Relationships and Related Transactions	39

PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	40 - 42
	Signatures	43

PART I

ITEM 1. BUSINESS

P & F Industries, Inc. (the "Company") conducts its business operations through two wholly-owned subsidiaries. Florida Pneumatic Manufacturing Corporation ("Florida Pneumatic") is engaged in the importation, manufacture and sale of pneumatic hand tools, primarily for the industrial and retail markets, and the importation and sale of compressor air filters. Florida Pneumatic also markets, through its Berkley Tool division ("Berkley"), a line of pipe cutting and threading tools, wrenches and replacement electrical components for a widely used brand of pipe cutting and threading machines. Embassy Industries, Inc. ("Embassy") is engaged in the manufacture and sale of baseboard heating products and the importation and sale of radiant heating systems. Embassy also imports a line of door and window hardware items through its Franklin Hardware division ("Franklin"). Note 11 of the Notes to Consolidated Financial Statements presents financial information for the segments of the Company's business.

Florida Pneumatic has two major customers, Sears, Roebuck and Co. and W.W. Grainger, Inc., who accounted for 45.1%, 37.4% and 31.4% and 9.1%, 10.8% and 10.8% of consolidated net sales for the years ended December 31, 1997, 1996 and 1995, respectively.

FLORIDA PNEUMATIC

Florida Pneumatic imports or manufactures approximately fifty types of

pneumatic hand tools, most of which are sold at prices ranging from \$50 to \$1,000, under the names "Florida Pneumatic", "Universal Tool" and "Fuji", as well as under the trade names or trademarks of several private label customers. The line of products includes sanders, grinders, drills, saws, impact wrenches, nailers and staplers. The nailers and staplers were added to Florida Pneumatic's product line in the fourth quarter of 1997. These tools are similar in appearance and function to electric hand tools but are powered by compressed air, rather than directly by electricity. Air tools, as they are also called, are generally less expensive to operate, offer better performance and are lighter in weight than their electrical counterparts.

Most of Florida Pneumatic's sales are of pneumatic tools imported from Japan, along with sales of some products imported from Taiwan and mainland China. Florida Pneumatic manufactures high speed rotary and reciprocating pneumatic tools at its factory in Jupiter, Florida and imports air filters.

Products are sold to distributors, retailers and private label customers through in-house sales personnel and manufacturers' representatives. Typical users of Florida Pneumatic's hand tools include industrial maintenance and production staffs, do-it-yourself mechanics, automobile mechanics and auto body repairmen.

The primary competitive factors in the pneumatic tool market are price, service and brand-name awareness.

Two customers accounted for 72.6%, 67.5% and 56.9 of Florida Pneumatic's net sales in 1997, 1996 and 1995, respectively. Relationships with these customers remain excellent.

1

Berkley markets a product line consisting of pipe and bolt dies, pipe taps, pipe and tubing cutter wheels, wrenches and replacement electrical components for a widely used brand of pipe cutting and threading machines. Florida Pneumatic markets Berkley's products through industrial distributors and contractors.

Florida Pneumatic's products are sold off the shelf and no material backlog of orders exists. The business is not seasonal, but it may be subject to significant periodic changes resulting from occasional sales promotions by customers.

Florida Pneumatic purchases significant amounts of pneumatic tools from two foreign suppliers. Other sources are available. However, the loss of either supplier could cause a temporary disruption in the flow of products, possibly creating an adverse effect on operating results.

EMBASSY

Embassy's baseboard heating products are sold nationally under the Embassy name and under its Panel-Track and System 6 trademarks, for use in hot-water heating systems installed in single family homes, multi-unit dwellings and commercial and industrial buildings. Products are sold principally to wholesalers by manufacturers' representatives and in-house sales support personnel. Embassy's products are also sold to other manufacturers for incorporation into their products and for distribution on a private label basis.

Hot-water heating systems operate by heating water in a boiler and circulating it through the copper tubing in the baseboard along the perimeter of the space to be heated. Attached to the copper tubing are numerous closely-spaced aluminum fins which dissipate the heat. Sections are two to ten feet in length, project several inches from the wall and rise less than a foot from the floor. These sections may be combined for longer installations. Embassy's baseboard contains patented plastic tracks which ease handling and reduce operating noise.

Embassy also imports a line of radiant heating systems. These systems are different from baseboard heating systems in that the heating systems are generally installed in floors and radiate heat provided by hot water circulating in plastic tubing installed beneath the surface of the floor. These systems include the tubing, manifolds, controls and installation supplies. Embassy also provides computer software which aids in the design of the system. Sales of this product accounted for 15.0% of Embassy's total heating equipment sales in 1997.

Baseboard and radiant heating systems compete with forced hot-air and electric heating systems. Electric systems are generally more expensive to operate. Forced hot-air systems are noisier, sometimes cause discomfort from fluctuations in temperature as the furnace cycles on and off and do not distribute warm air uniformly within the room. Hot-water systems are generally more expensive to install. Accordingly, baseboard and radiant heating systems are more widely used in custom and higher priced homes in colder sections of the country. Since Embassy's products are primarily used in new installations, its sales are related to housing starts.

Embassy's baseboard heating products are sold off the shelf and no material backlog of orders exists. Raw materials are readily available. The business is seasonal, with approximately 60.0% of Embassy's heating equipment sales coming in the last six months of the year.

2

The primary competitive factors in the baseboard and radiant heating market are quality, price, service and brand-name awareness.

The Franklin division of Embassy imports and packages approximately 225 types of hardware products, including locksets, deadbolts, door and window security hardware, rope-related hardware products and fire escape ladders. Products generally range in price from under \$1.00 to \$30.00 and are sold to retailers, wholesalers and private label accounts through manufacturers' representatives and in-house sales support personnel. Nearly all of Franklin's sales are of products imported from the Far East. Three customers accounted for approximately 55.9% of Franklin's sales in 1997, with two of these customers each doing approximately the same volume and accounting for approximately 45.4%.

The primary competitive factors in the hardware business are price, service, skill in packaging and point-of-sale marketing.

Franklin's products are sold off the shelf and no material backlog of orders exists. Sources of imported products are readily available. Franklin's business is not seasonal.

EMPLOYEES

The Company employed approximately 164 persons as of December 31, 1997, including 5 at corporate headquarters. The 83 employees of the pneumatic tool operation are not represented by a union. Of the 76 persons employed in the heating equipment and hardware operations, 50 factory workers are covered by a single-employer union contract. The heating equipment union contract expires on November 30, 1998. The Company believes that its relations with its employees are satisfactory.

ITEM 2. PROPERTIES

Embassy and Florida Pneumatic each own, subject to a mortgage, the plant facilities which they occupy. Embassy's 75,000 square foot plant facility is located in Farmingdale, New York. Florida Pneumatic's 72,000 square foot plant facility is located in Jupiter, Florida. Each facility provides adequate space for its operations in the foreseeable future. The Company's executive offices are located in Embassy's facility in Farmingdale, New York.

The Company owned, subject to a mortgage, a 36,000 square foot building in New Hyde Park, New York. This building was being leased to Triangle Sheet Metal Works, Inc. ("Triangle"), a former subsidiary of the Company. In August 1997, the Company sold this building to Triangle. Note 9(b) of the Notes to Consolidated Financial Statements presents additional information on the sale of this building.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any litigation that is expected to have a material adverse effect on its business.

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

No matters were submitted to a vote of security holders during the last quarter of the period covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Class A Common Stock trades on the Nasdaq Stock Market. The price range of the Company's Class A Common Stock during the last two fiscal years was as follows:

1997 ----	HIGH ----	LOW ---
First Quarter	\$ 6	\$ 3 1/2
Second Quarter	5 5/8	4 5/8
Third Quarter	7	4 1/2
Fourth Quarter	7 13/16	6
1996 ----	HIGH ----	LOW ---
First Quarter	\$ 3 1/8	\$ 2 3/8
Second Quarter	3 1/2	2 5/8
Third Quarter	3 9/16	2 9/16
Fourth Quarter	4 1/8	3 1/8

As of March 16, 1998, there were approximately 3,600 holders of record of the Company's Class A Common Stock.

The Company has not declared any cash dividends on its Class A Common Stock since its incorporation in 1962 and has no plans to declare any cash dividends in the immediate future. On January 30, 1997, the Company redeemed all of the outstanding shares of its \$1.00 Cumulative Preferred Stock, at the par value of \$10 per share, for a total of \$2,633,450, plus an interim dividend totalling \$21,858.

ITEM 6. SELECTED FINANCIAL DATA

P & F INDUSTRIES, INC. AND SUBSIDIARIES

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from the audited consolidated financial statements of P & F Industries, Inc. and subsidiaries. The selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Form 10-K.

The earnings per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, "Earnings per Share". For further discussion of earnings per share and the impact of Statement No. 128, see the Notes to Consolidated Financial Statements.

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
Revenues	\$50 026 947	\$43 078 371	\$43 047 601	\$45 075 182	\$40 361 318
Income from continuing operations	\$ 2 513 779	\$ 1 953 287	\$ 1 491 975	\$ 1 233 356	\$ 695 866
Income from continuing operations per share of common stock:					
Basic	\$.83	\$.58	\$.42	\$.33	\$.19
Diluted	\$.71	\$.52	\$.39	\$.32	\$.18

Total assets	\$32 648 895	\$31 331 643	\$35 415 672	\$33 013 300	\$35 899 164
Long-term obligations	\$ 5 124 883	\$ 5 288 570	\$ 7 414 181	\$ 7 767 625	\$ 8 208 245
Cash dividends declared per common share	\$ --	\$ --	\$ --	\$ --	\$ --

5

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1997 COMPARED TO 1996

Consolidated revenues increased 16.1%, from \$43,078,371 to \$50,026,947. Revenues from pneumatic tools and related equipment increased 21.6%, from \$30,836,616 to \$37,485,572. The increase in these revenues was due primarily to the addition of a major new product line of pneumatic tools.

Heating equipment revenues increased 2.1%, from \$8,171,330 to \$8,342,996. A 48.7% increase in sales of radiant heating products more than offset a decrease of 3.3% in baseboard sales.

Hardware revenues increased 4.0%, from \$4,033,686 to \$4,196,351, due to increased sales to existing customers.

Selling prices of all products were virtually unchanged during the year.

Consolidated gross profit, as a percentage of revenues, increased from 33.4% to 33.8%. Gross profit on pneumatic tools and related equipment increased from 33.8% to 33.9%, due to a more favorable exchange rate of the dollar compared to the Japanese yen, which reduced the cost of imported product and which was offset by a less favorable product mix. Gross profit from heating equipment increased from 34.7% to 36.8%, due to a more favorable product mix. Gross profit from hardware decreased slightly, from 26.7% to 26.5%, due to a less favorable product mix.

Consolidated selling, general and administrative expenses increased 15.1%, from \$9,839,976 to \$11,321,691. The increase in absolute dollars expended is the result of an increase in marketing and compensation program expenditures necessary to achieve the substantial increase in sales and, to a lesser extent, a strengthening of the Company's efforts in the new product development area. As a percentage of revenues, selling, general and administrative expenses decreased from 22.8% to 22.6%, due to the increase in revenues.

Interest expense decreased 8.0%, from \$754,069 to \$693,660, due to a decrease in average loans outstanding.

The effective tax rates for the years ended December 31, 1997 and 1996 were 45.6% and 38.7%, respectively. See Note 8 of the Notes to Consolidated Financial Statements.

6

1996 COMPARED TO 1995

Consolidated revenues were virtually unchanged, with an increase of less than 1%, from \$43,047,601 to \$43,078,371. Revenues from pneumatic tools and related equipment decreased 3.6%, from \$31,989,783 to \$30,836,616. The decrease in these revenues was caused by the loss in late 1995 of one large customer, to whom sales were approximately \$1,688,000 in 1995, and by the one-time sale to a new customer of approximately \$2,337,000 in the fourth quarter of 1995. Approximately 71% of the decrease in these revenues was offset by higher sales to existing and new customers. Selling prices were approximately 1.3% higher in 1996 than in 1995.

Heating equipment revenues increased 8.5%, from \$7,530,770 to \$8,171,330. Approximately half of the increase was due to increased sales of radiant heating products. The balance was due to increased baseboard sales, aided by a 2% increase in selling prices.

Hardware revenues increased 14.2%, from \$3,531,783 to \$4,033,686, due to increased sales to existing customers. Hardware selling prices were unchanged during the year.

Consolidated gross profit, as a percentage of revenues, increased from 32.6% to 33.4%. Gross profit on pneumatic tools and related equipment increased from 32.6% to 33.8%, due to the increased selling prices and a more favorable exchange rate of the dollar compared to the Japanese yen, which reduced the cost of imported product. These improvements in gross profit were partially offset by a less favorable product mix. Gross profit from heating equipment increased slightly, from 34.3% to 34.7%. Higher selling prices essentially offset higher material costs. Gross profit from hardware decreased from 29.4% to 26.7%, due to a less favorable product mix.

Consolidated selling, general and administrative expenses decreased 2.2%, from \$10,056,193 to \$9,839,976. Of the total decrease, \$163,200 was attributable to a charge against operations in 1995 for the amount paid for the cancellation of options to purchase 192,000 shares of common stock. As a percentage of revenues, selling, general and administrative expenses decreased from 23.4% to 22.8%.

Interest expense decreased 26.2%, from \$1,021,400 to \$754,069, due to a decrease in average loans outstanding.

The effective tax rates for the years ended December 31, 1996 and 1995 were 38.7% and 36.4%, respectively. See Note 8 of the Notes to Consolidated Financial Statements.

7

LIQUIDITY AND CAPITAL RESOURCES

The Company gauges its liquidity and financial stability by the measurements shown in the following table:

	DECEMBER 31,		
	1997	1996	1995
	(amounts in thousands, except for ratios)		
Working Capital	\$17,060	\$15,682	\$15,838
Current Ratio	3.45 to 1	3.35 to 1	2.54 to 1
Shareholders' Equity	\$20,121	\$19,382	\$17,692

During 1997, accounts receivable increased by \$1,889,009 as a result of a 37.3% increase in sales in the fourth quarter of 1997 as compared to 1996. Also during 1997, inventories increased \$2,262,630, due primarily to the addition, in December, of a new line of air tools at Florida Pneumatic.

In August 1997, the Company sold the 36,000 square foot building it owned in New Hyde Park, New York. This building was being leased to Triangle Sheet Metal Works, Inc. ("Triangle"), a former subsidiary of the Company. The sale of the building resulted in a gain of \$542,837, net of income taxes totalling \$850,000. This gain is presented in the financial statements as income from discontinued operation. The proceeds from the sale, approximately \$1,766,000, were used to pay the outstanding balance on the mortgage, approximately \$1,749,000. The due date of this mortgage was October 1997 and the balance outstanding at December 31, 1996 was, therefore, classified as a current liability.

During 1996, accounts receivable decreased by \$2,990,170, from an unusually high level of accounts receivable at December 31, 1995, including approximately \$2,337,000 from one-time sales to a customer in December 1995. Also during 1996, inventories decreased \$3,783,711. The funds provided by these decreases in accounts receivable and inventories were used to pay down all of the Company's short-term borrowings during the year. This decrease in short-term borrowings of \$4,233,753 contributed to the increase in the Company's current ratio.

The Company's credit facility provides a line of credit totalling \$14,000,000 for direct loans, letters of credit and bankers' acceptances. At December 31, 1997, there were no loans outstanding against this line of credit. There was a commitment at December 31, 1997 of approximately \$2,322,000 for outstanding letters of credit. In addition, at December 31, 1997, approximately \$2,472,000 of the Company's credit facility was used to secure accounts payable. The total line of credit includes \$4,000,000 earmarked for acquisitions subject to the lending bank's approval. The Company's credit facility also provides the availability of up to \$10,000,000 in foreign currency forward contracts. These contracts fix the exchange rate on future purchases of Japanese yen needed for payments to foreign suppliers. The total amount of foreign currency forward contracts outstanding at December 31, 1997 was approximately \$3,114,000.

The Company's credit facility agreement is subject to annual review by the lending bank. Under this agreement, the Company is required to adhere to certain financial covenants. At December 31, 1997, and for the year then ended, the Company satisfied all of these covenants.

8

The Company, through Florida Pneumatic, imports a significant amount of its purchases from Japan, with payment due in Japanese yen. As a result, the Company is subject to the effects of foreign currency exchange fluctuations. The Company uses a variety of techniques to protect itself from any adverse effects from these fluctuations, including increasing its selling prices, obtaining price reductions from its overseas suppliers, using alternative supplier sources and entering into foreign currency forward contracts. Because of these steps taken by the Company, foreign currency exchange rate fluctuations have not had a significant negative effect on the Company's results of operations or its financial position. Any future weakness of the dollar would again, however, present a problem and there can be no certainty that the Company will continue to be successful in its efforts to counter this problem.

Capital spending was approximately \$652,000, \$278,000 and \$402,000 in 1997, 1996 and 1995, respectively. The total amount in each year was provided from working capital. Capital expenditures for 1998 are expected to be approximately \$1,700,000, some of which may be financed. Included in this amount are expenditures relating to new products as well as expenditures relating to the replacement or upgrading of old equipment.

On January 30, 1998, the Company redeemed all of its outstanding 13.75% Subordinated Debentures, due January 1, 2017, at 100% of the principal amount of the Debentures, plus accrued and unpaid interest to the redemption date. The funds used for this redemption, totalling \$1,384,686, were derived from working capital.

On January 30, 1997, the Company redeemed all of its outstanding \$1.00 Cumulative Preferred Stock at the par value of \$10 per share, plus an interim dividend, through the redemption date, of \$.083 per share. The funds used for this redemption, totalling \$2,655,308, were derived from working capital.

On March 31, 1995, Florida Pneumatic purchased the assets and business of Intech Industries, Inc. ("Intech") for cash totalling \$206,000. Intech was a domestic manufacturer and importer of air filters used on air compressors. The operations of Intech were merged with the operations of Florida Pneumatic.

On February 15, 1995, Florida Pneumatic purchased the assets and business of Tradesman Tool Co., Inc. ("Tradesman") for cash totalling approximately \$547,000. Tradesman was a domestic manufacturer of heavy-duty pipe wrenches. The operations of Tradesman were merged with the operations of Florida Pneumatic.

The Company continues to conduct an extensive acquisition search. The funds for an acquisition will be provided by working capital and existing credit facilities, including the \$4,000,000 credit facility earmarked for acquisitions referred to above.

The Company is currently determining the modifications required to ensure that its management and information systems will be able to make the transition to the year 2000. At this time, management expects that all such modifications will be completed on a timely basis and that the costs of these modifications will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, Statement No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", which supersedes Statement No. 14, "Financial Reporting for Segments of a Business Enterprise", establishes standards for the reporting of certain information about operating segments by public companies, in both annual and interim financial statements. Statement No. 131 defines an operating segment as a component of an enterprise for which separate financial information is available and whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

Statements No. 130 and 131 are both effective for financial statements for periods beginning after December 15, 1997 and both require comparative information for earlier years to be restated. The adoption of Statement No. 130 is not expected to have a material effect on the Company's financial position or results of operations. The adoption of Statement No. 131 will have no effect on the Company's financial position or results of operations and the Company is currently reviewing Statement No. 131 in order to fully evaluate the impact, if any, the adoption of the provisions of this Statement will have on future financial disclosures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

P & F INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

	PAGE

Report of Independent Certified Public Accountants	12
Consolidated Balance Sheets as of December 31, 1997 and 1996	13 - 14
Consolidated Statements of Income for each of the three years ended December 31, 1997, 1996 and 1995	15 - 16
Consolidated Statements of Shareholders' Equity for each of the three years ended December 31, 1997, 1996 and 1995	17
Consolidated Statements of Cash Flows for each of the three years ended December 31, 1997, 1996 and 1995	18 - 19
Notes to Consolidated Financial Statements	20 - 38
Schedule II - Valuation and Qualifying Accounts for each of the three years ended December 31, 1997, 1996 and 1995	41

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and the Shareholders of P & F Industries, Inc.
Farmingdale, New York

We have audited the accompanying consolidated balance sheets of P & F Industries, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. We have also audited the schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P & F Industries, Inc. and subsidiaries at December 31, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

New York, New York
March 16, 1998

12

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31,	
	1997	1996
CURRENT:		
Cash	\$ 2 092 244	\$ 4 558 135
Accounts receivable, less allowance for possible losses of \$421,014 and \$370,410 (Note 3)	7 924 941	6 113 259
Inventories (Notes 2 and 3)	13 382 480	11 119 850
Deferred income taxes (Note 8)	365 000	211 000
Prepaid expenses and other assets	254 544	300 850
Note receivable from officer	--	40 000
TOTAL CURRENT ASSETS	24 019 209	22 343 094
PROPERTY AND EQUIPMENT (Notes 3 and 4):		
Land	846 939	993 020
Buildings and improvements	4 304 779	4 505 889
Machinery and equipment	5 763 749	5 246 699
	10 915 467	10 745 608
Less accumulated depreciation	5 257 701	4 965 956

NET PROPERTY AND EQUIPMENT	5 657 766	5 779 652
DEFERRED INCOME TAXES (Note 8)	--	175 000
GOODWILL, net of accumulated amortization of \$1,025,722 and \$927,334	2 788 045	2 886 433
OTHER ASSETS, net of accumulated amortization of \$50,667 and \$34,659	183 875	147 464
	\$ 32 648 895	\$ 31 331 643

See accompanying notes to consolidated financial statements.

13

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1997	1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4 040 125	\$ 2 661 589
Accruals:		
Compensation	1 365 857	1 069 564
Other	1 396 217	1 012 467
Current maturities of long-term debt (Note 4)	157 140	1 917 691
TOTAL CURRENT LIABILITIES	6 959 339	6 661 311
LONG-TERM DEBT, less current maturities (Note 4)	3 755 683	3 919 370
DEFERRED INCOME TAXES (Note 8)	444 000	--
SUBORDINATED DEBENTURES (Note 5)	1 369 200	1 369 200
TOTAL LIABILITIES	12 528 222	11 949 881
COMMITMENTS AND CONTINGENCIES (Notes 3 and 10)		
SHAREHOLDERS' EQUITY (Notes 6 and 7):		
Preferred stock, \$10 par, cumulative authorized - 2,000,000 shares outstanding - 263,345 shares in 1996	--	2 633 450
Common stock:		
Class A - \$1 par authorized - 7,000,000 outstanding - 3,101,845 and 2,928,867	3 101 845	2 928 867
Class B - \$1 par authorized - 2,000,000 shares	--	--
Additional paid-in capital	7 772 239	7 607 614
Retained earnings	9 246 589	6 211 831
TOTAL SHAREHOLDERS' EQUITY	20 120 673	19 381 762

\$ 32 648 895 \$ 31 331 643
 ===== =====

See accompanying notes to consolidated financial statements.

14

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
REVENUES (Note 11):			
Net sales	\$ 49 605 480	\$ 42 650 342	\$ 42 645 954
Other	421 467	428 029	401 647
	-----	-----	-----
	50 026 947	43 078 371	43 047 601
	-----	-----	-----
COSTS AND EXPENSES:			
Cost of sales	33 140 308	28 698 300	29 015 050
Selling, administrative and general	11 321 691	9 839 976	10 056 193
Interest - net	693 660	754 069	1 021 400
Depreciation	646 509	598 739	608 983
	-----	-----	-----
	45 802 168	39 891 084	40 701 626
	-----	-----	-----
INCOME BEFORE TAXES ON INCOME	4 224 779	3 187 287	2 345 975
TAXES ON INCOME (Note 8)	1 711 000	1 234 000	854 000
	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS	2 513 779	1 953 287	1 491 975
INCOME FROM DISCONTINUED OPERATION (NET OF INCOME TAXES OF \$850,000) (Note 9(b))	542 837	--	--
	-----	-----	-----
NET INCOME	\$ 3 056 616	\$ 1 953 287	\$ 1 491 975
	=====	=====	=====

See accompanying notes to consolidated financial statements.

15

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(CONTINUED)

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
NET INCOME	\$ 3 056 616	\$ 1 953 287	\$ 1 491 975
	=====	=====	=====
PREFERRED DIVIDENDS	\$ 21 858	\$ 263 345	\$ 263 345
	=====	=====	=====
INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 3 034 758	\$ 1 689 942	\$ 1 228 630

WEIGHTED AVERAGE COMMON SHARES

OUTSTANDING:

BASIC	2 986 920	2 929 991	2 929 991
	=====	=====	=====
DILUTED	3 525 690	3 237 591	3 147 626
	=====	=====	=====

EARNINGS PER SHARE OF COMMON STOCK:

BASIC:

CONTINUING OPERATIONS	\$.83	\$.58	\$.42
DISCONTINUED OPERATION	.18	--	--
	-----	-----	-----
NET INCOME	\$ 1.01	\$.58	\$.42
	=====	=====	=====

DILUTED:

CONTINUING OPERATIONS	\$.71	\$.52	\$.39
DISCONTINUED OPERATION	.15	--	--
	-----	-----	-----
NET INCOME	\$.86	\$.52	\$.39
	=====	=====	=====

See accompanying notes to consolidated financial statements.

16

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997	PREFERRED STOCK, \$10 PAR - CUMULATIVE		CLASS A COMMON STOCK - \$1 PAR		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	SHARES	AMOUNT	SHARES	AMOUNT		
BALANCE, January 1, 1995	263 345	\$ 2 633 450	2 928 867	\$ 2 928 867	\$ 7 607 614	\$ 3 293 259
Net income for the year ended December 31, 1995	--	--	--	--	--	1 491 975
Dividends on preferred stock	--	--	--	--	--	(263 345)
BALANCE, December 31, 1995	263 345	2 633 450	2 928 867	2 928 867	7 607 614	4 521 889
Net income for the year ended December 31, 1996	--	--	--	--	--	1 953 287
Dividends on preferred stock	--	--	--	--	--	(263 345)
BALANCE, December 31, 1996	263 345	2 633 450	2 928 867	2 928 867	7 607 614	6 211 831
Net income for the year ended December 31, 1997	--	--	--	--	--	3 056 616
Redemption of preferred stock	(263 345)	(2 633 450)	--	--	--	--
Exercise of stock options and warrants	--	--	172 978	172 978	87 625	--
Tax benefit from exercise of stock options	--	--	--	--	77 000	--
Dividends on preferred stock	--	--	--	--	--	(21 858)
BALANCE, December 31, 1997	--	\$ --	3 101 845	\$ 3 101 845	\$ 7 772 239	\$ 9 246 589

See accompanying notes to consolidated financial statements.

17

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 3 056 616	\$ 1 953 287	\$ 1 491 975
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	789 553	771 553	889 305
Provision for losses on accounts receivable	77 327	59 817	77 307
Deferred income taxes	465 000	37 000	341 000
(Gain) on disposal of fixed assets of discontinued operation	(1 392 837)	--	--
Loss (gain) on disposal of fixed assets	--	3 446	(12 100)
Decrease (increase):			
Accounts receivable	(1 889 009)	2 990 170	(841 863)
Inventories	(2 262 630)	3 783 711	(1 827 338)
Prepayments and other items	76 406	86 634	254 654
Other assets	(56 400)	(36 676)	12 425
Increase (decrease):			
Accounts payable	1 378 536	(837 585)	546 691
Accruals	461 149	(140 839)	251 672
Total adjustments	(2 352 905)	6 717 231	(308 247)
Net cash provided by operating activities	703 711	8 670 518	1 183 728
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment	--	--	12 300
Capital expenditures	(652 223)	(278 094)	(402 403)
Proceeds from sale of fixed assets of discontinued operation	1 724 564	--	--
Purchase of assets of Tradesman Tool Co., Inc. and Intech Industries, Inc.	--	--	(752 959)
Net cash (used in) provided by investing activities	1 072 341	(278 094)	(1 143 062)

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	19 088 495	12 661 696	16 310 783
Repayments of short-term borrowings	(19 088 495)	(16 895 449)	(15 591 320)
Proceeds from mortgage	--	2 062 500	--
Principal payments on long-term debt	(1 924 238)	(2 624 294)	(344 084)
Proceeds from exercise of stock			

options and warrant	260 603	--	--
Redemption of preferred stock	(2 633 450)	--	--
Tax benefit from exercise of stock options	77 000	--	--
Dividends paid on preferred stock	(21 858)	(263 345)	(263 345)
	-----	-----	-----
Net cash (used in) provided by financing activities	(4 241 943)	(5 058 892)	112 034
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(2 465 891)	3 333 532	152 700
CASH AT BEGINNING OF YEAR	4 558 135	1 224 603	1 071 903
	-----	-----	-----
CASH AT END OF YEAR	\$ 2 092 244	\$ 4 558 135	\$ 1 224 603
	=====	=====	=====

See accompanying notes to consolidated financial statements.

19

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements contained herein include the accounts of P & F Industries, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated.

The Company conducts its business operations through two wholly-owned subsidiaries. Florida Pneumatic Manufacturing Corporation ("Florida Pneumatic") is engaged in the importation, manufacture and sale of pneumatic hand tools, primarily for the industrial and retail markets, and the importation and sale of compressor air filters. Florida Pneumatic also markets, through its Berkley Tool division ("Berkley"), a line of pipe cutting and threading tools, wrenches and replacement electrical components for a widely used brand of pipe cutting and threading machines. Embassy Industries, Inc. ("Embassy") is engaged in the manufacture and sale of baseboard heating products and the importation and sale of radiant heating systems. Embassy also imports a line of door and window hardware items through its Franklin Hardware division ("Franklin"). Note 11 of the Notes to Consolidated Financial Statements presents financial information for the segments of the Company's business.

BASIS OF FINANCIAL STATEMENT PRESENTATION

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments, including cash and short-term debt, approximated fair value as of December 31, 1997 and 1996, because of the relatively short-term maturity of these instruments. The carrying value of long-term debt, including the current portion, approximated fair value as of December 31, 1997 and 1996, based upon quoted market prices for the same or similar debt issues.

At December 31, 1997, the Company had foreign currency forward contracts, maturing in 1998, to purchase approximately \$3,114,000 in Japanese yen at contracted forward rates.

The Company enters into foreign currency forward contracts as a hedge against foreign accounts payable. At December 31, 1997, gains and losses on such contracts were included in the measurement of the related foreign currency transactions and reflected in the cost of sales. The Company does not hold or issue financial instruments for trading purposes.

20

P & F INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost.

Depreciation is computed by the straight-line method for financial reporting and by the straight-line and accelerated methods for income tax purposes. The estimated useful lives for financial reporting purposes are as follows:

Buildings and improvements	10 - 30 years
Machinery and equipment	3 - 12 years

LONG-LIVED ASSETS

The Company reviews certain long-lived assets and identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In that regard, the Company assesses the recoverability of such assets based upon estimated non-discounted cash flow forecasts.

GOODWILL

The excess of the purchase price over fair value of net assets of acquired businesses arises from business combinations accounted for as purchases and is amortized on a straight-line basis over 40 years.

The Company's operational policy for the assessment and measurement of any impairment in the value of excess of cost over net assets acquired which is other than temporary is to evaluate the recoverability and remaining life of its goodwill and determine whether the goodwill should be completely or partially written off or the amortization period accelerated. The Company will recognize an impairment of goodwill if undiscounted estimated future operating cash flows of the acquired businesses are determined to be less than the carrying amount of goodwill. If the Company determines that goodwill has been impaired, the Company will reflect the impairment through a reduction in the carrying value of goodwill, in an amount equal to the excess of the carrying amount of the goodwill over the amount of the undiscounted estimated operating cash flows.

21

P & F INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

TAXES ON INCOME

P & F Industries, Inc. and its subsidiaries file a consolidated Federal

tax return and separate state and local tax returns.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any operating loss or tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of any change in the tax rate is recognized in income in the period that includes the enactment date of such change.

EARNINGS PER SHARE

In June 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share", which provides for the calculation of basic and diluted earnings per share. Basic and diluted earnings per share replace the previously reported primary and fully diluted earnings per share. Unlike primary earnings per share, basic earnings per share is based only on the average number of common shares outstanding for the period. Diluted earnings per share reflects, in periods for which they have a dilutive effect, the effect of common shares issuable upon the exercise of options, warrants and convertible securities and is very similar to fully diluted earnings per share. Earnings per share amounts for all periods have been presented and the amounts for prior periods have been restated to comply with the provisions of Statement No. 128.

Diluted earnings per share is computed using the treasury stock method. Under this method, the aggregate number of shares outstanding reflects the assumed use of proceeds from the hypothetical exercise of any outstanding options or warrants to repurchase shares of common stock. The average market value for the period is used to calculate the repurchase price.

Net income or loss is adjusted for preferred dividends in computing the net income or loss attributable to the common stock.

NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, Statement No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

22

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

NEW ACCOUNTING PRONOUNCEMENTS (continued)

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", which supersedes Statement No. 14, "Financial Reporting for Segments of a Business Enterprise", establishes standards for the reporting of certain information about operating segments by public companies, in both annual and interim financial statements. Statement No. 131 defines an operating segment as a component of an enterprise for which separate financial information is available and whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

Statements No. 130 and 131 are both effective for financial statements for periods beginning after December 15, 1997 and both require comparative information for earlier years to be restated. The adoption of Statement No. 130 is not expected to have a material effect on the Company's financial position or results of operations. The adoption of Statement No. 131 will have no effect

on the Company's financial position or results of operations and the Company is currently reviewing Statement No. 131 in order to fully evaluate the impact, if any, the adoption of the provisions of this Statement will have on future financial disclosures.

23

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 2 - INVENTORIES

Inventories consist of:

	DECEMBER 31,	
	1997	1996
Raw materials	\$ 3 538 751	\$ 2 722 309
Work-in-process	211 368	735 792
Finished goods	9 632 361	7 661 749
	-----	-----
	\$ 13 382 480	\$ 11 119 850
	=====	=====

NOTE 3 - SHORT-TERM BORROWINGS

The Company's credit facility provides a line of credit totalling \$14,000,000 available for direct loans, letters of credit and bankers' acceptances. At December 31, 1997, there were no loans outstanding against this line of credit. There was a commitment at December 31, 1997 of approximately \$2,322,000 for outstanding letters of credit. In addition, at December 31, 1997, approximately \$2,472,000 of the Company's credit facility was used to secure accounts payable. The total line of credit includes \$4,000,000 earmarked for acquisitions subject to the lending bank's approval. The Company's credit facility also provides the availability of up to \$10,000,000 in foreign currency forward contracts. These contracts fix the exchange rate on future purchases of Japanese yen needed for payments to foreign suppliers. The total amount of foreign currency forward contracts outstanding at December 31, 1997 was approximately \$3,114,000.

Borrowings under the Company's line of credit bear interest at approximately the prime rate. The prime interest rate at December 31, 1997 was 8.5%. These borrowings are secured by the accounts receivable, inventory and equipment of the Company and are cross-guaranteed by the parent company and each of the subsidiaries.

The Company's credit facility agreement is subject to annual review by the lending bank. Under this agreement, the Company is required to adhere to certain financial covenants. At December 31, 1997, and for the year then ended, the Company satisfied all of these covenants.

24

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of:

	DECEMBER 31,	
	1997	1996
Mortgage loan - \$9,095 payable monthly (plus interest at 1/2% above prime) through February 1999, when a final payment of approximately \$1,798,000	-----	-----

is due. (a) (b)	\$ 1 925 030	\$ 2 034 170
Mortgage loan - variable amounts payable monthly (including interest at a variable rate) through May 2006, when a payment of the entire balance of unpaid principal and interest is due. (a) (c)	1 987 793	2 033 652
Mortgage loan - paid August 1997	--	1 769 239
	-----	-----
	3 912 823	5 837 061
Less current maturities	157 140	1 917 691
	-----	-----
	\$ 3 755 683	\$ 3 919 370
	=====	=====

-
- (a) These mortgages payable relate to the land and buildings of the Company's subsidiaries. Property with a net book value of approximately \$3,567,000 is pledged as collateral.
- (b) The prime interest rate at December 31, 1997 was 8.5%.
- (c) Payments of \$17,364 are due monthly on this mortgage through May 1998. Payments thereafter will be recomputed annually and will be based on the variable interest rate then in effect. The mortgagee has certain privileges through June 1998 to convert the variable rate of interest to a fixed rate.

The aggregate amounts of the long-term debt scheduled to mature in each of the years ended December 31 are as follows: 1998 - \$157,140; 1999 - \$1,870,757; 2000 - \$57,999; 2001 - \$62,869; 2002 - \$68,148; 2003 and thereafter - \$1,695,910. Interest expense on long-term debt was \$478,229, \$565,830 and \$649,920 for the years ended December 31, 1997, 1996 and 1995, respectively.

NOTE 5 - SUBORDINATED DEBENTURES

The Company's 13.75% Subordinated Debentures were unsecured general obligations of the Company, subordinate to all senior indebtedness of the Company. Interest on the Debentures was payable in arrears semi-annually. The Company had the option to redeem the Debentures, at the principal amount, at any time prior to the fixed due date of January 1, 2017. On January 30, 1998, the Company redeemed all of the outstanding Debentures at 100% of the principal amount of the Debentures, plus accrued and unpaid interest to the redemption date.

Interest expense on the Subordinated Debentures was \$188,265 for each of the years ended December 31, 1997, 1996 and 1995.

25

P & F INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 6 - CAPITAL STOCK TRANSACTIONS

The Company's preferred stock paid quarterly dividends at the rate of 10% per annum. On January 30, 1997, the Company redeemed all of the outstanding shares of its \$1.00 Cumulative Preferred Stock at the par value of \$10 per share, plus an interim dividend, through the redemption date, of \$.083 per share.

In 1994, in connection with its Stockholder Rights Plan, the Company entered into a Rights Agreement (as amended) and distributed as a dividend to each holder of Class A Common Stock a preferred stock purchase right. These rights entitle the stockholders, in certain circumstances, to purchase one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock for \$10. The Stockholder Rights Plan is intended to protect, among other things, the interests of the Company's stockholders in the event the Company is confronted with coercive or unfair takeover tactics.

NOTE 7 - STOCK OPTIONS AND WARRANTS

In 1992, the Company adopted its Incentive Stock Option Plan (as amended)

(the "Plan"), which authorizes the issuance, to employees and directors, of options to purchase a maximum of 1,100,000 shares of Class A Common Stock. These options must be issued within ten years of the effective date of the plan and are exercisable for a ten year period from the date of grant at prices not less than 100% of the market value of the common stock on the date the option is granted. Options granted to any 10% shareholder are exercisable for a five year period from the date of the grant at prices not less than 110% of the market value of the common stock on the date the option is granted.

The Company applies the Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for the incentive stock option plan. Under APB Opinion 25, no compensation cost is recognized if the exercise price of the Company's employee stock options is equal to or greater than the market price of the underlying stock on the date of the grant.

Statement No. 123 of the Financial Accounting Standards Board, "Accounting for Stock-Based Compensation", requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plan had been determined in accordance with the fair value method prescribed by Statement No. 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in 1997 and 1995, respectively: no dividends paid for either year; expected volatility of 34.5% and 34.5%; risk-free interest rates of 6.6% and 5.5%; and expected lives of 4.0 years and 7.1 years. There were no options granted in 1996.

The weighted-average fair value of options for which the exercise price equaled the market price on the grant date was \$2.83 in 1997. The weighted-average fair value of options for which the exercise price exceeded the market price on the grant date was \$1.98 in 1997 and \$.75 in 1995.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7 - STOCK OPTIONS AND WARRANTS (continued)

Under the provisions of Statement No. 123, the Company's income from continuing operations available to common shareholders and its basic and diluted earnings per share would have decreased to the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Income from continuing operations available to common shareholders:			
As reported	\$2 491 921	\$1 689 942	\$1 228 630
Pro forma	\$2 296 814	\$1 689 942	\$1 204 780
Basic earnings per share:			
As reported	\$.83	\$.58	\$.42
Pro forma	\$.77	\$.58	\$.41
Diluted earnings per share:			
As reported	\$.71	\$.52	\$.39
Pro forma	\$.65	\$.52	\$.38

The following table contains information on stock options for the three years ended December 31, 1997:

	OPTION SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1, 1995	941 700	\$ 1.44 to 2.06	\$ 1.78

Granted	50 000	2.61	2.61
Cancelled	(192 000)	1.65	1.65
Exercised	--	--	--
Expired	(51 000)	1.50 to 2.06	2.05

Outstanding, December 31, 1995	748 700	1.44 to 2.61	1.85
Granted	--	--	--
Cancelled	--	--	--
Exercised	--	--	--
Expired	(7 500)	1.84 to 1.94	1.92

Outstanding, December 31, 1996	741 200	1.44 to 2.61	1.85
Granted	147 800	3.75 to 5.71	5.33
Cancelled	--	--	--
Exercised	(103 000)	1.50 to 1.88	1.51
Expired	--	--	--

Outstanding, December 31, 1997	786 000	1.44 to 5.71	2.55
	=====		

27

P & F INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7 - STOCK OPTIONS AND WARRANTS (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 1997:

RANGE OF EXERCISE PRICES	OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$1.58	35 000	.4	\$1.58	35 000	\$1.58
\$1.99	250 000	1.5	\$1.99	200 000	\$1.99
\$1.50 to \$2.61	284 700	2.4	\$1.89	284 700	\$1.89
\$5.71	70 000	4.6	\$5.71	--	--
\$1.44	15 000	5.6	\$1.44	15 000	\$1.44
\$1.94	53 500	7.0	\$1.94	53 500	\$1.94
\$3.75 to \$5.25	77 800	9.2	\$5.00	77 800	\$5.00
	-----			-----	
\$1.44 to \$5.25	786 000	3.3	\$2.55	666 000	\$2.26
	=====			=====	

There were options available for issuance under the Plan as of December 31 of each year as follows: 1995 - 691,500; 1996 - 696,500 and 1997 - 548,700. Of the 786,000 options outstanding at December 31, 1997, 551,300 options were issued under the current plan and 234,700 options were issued under a previous plan.

On October 11, 1995, the Company recorded a charge against operations of \$163,200, the amount paid for the cancellation of options to purchase 192,000 shares of common stock. These options had been granted to the former Chairman of the Board of the Company.

At December 31, 1995 and 1996, the Company had warrants outstanding for the purchase of 70,000 shares of Class A common stock. These warrants were exercised on December 29, 1997 at the exercise price of \$1.50 per warrant.

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 8 - TAXES ON INCOME

Provisions for taxes on income in the consolidated statements of income consist of:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Continuing operations:			
Current:			
Federal	\$1 520 000	\$1 089 000	\$ 437 000
State and local	112 000	108 000	76 000
Total current	1 632 000	1 197 000	513 000
Deferred:			
Federal	38 000	41 000	337 000
State and local	41 000	(4 000)	4 000
Total deferred	79 000	37 000	341 000
Taxes on income from continuing operations	1 711 000	1 234 000	854 000
Discontinued operation:			
Current:			
Federal	464 000	--	--
State and local	--	--	--
Total current	464 000	--	--
Deferred:			
Federal	117 000	--	--
State and local	269 000	--	--
Total deferred	386 000	--	--
Taxes on income from discontinued operation	850 000	--	--
Total taxes on income	\$2 561 000	\$1 234 000	\$ 854 000

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 8 - TAXES ON INCOME (continued)

Deferred tax assets (liabilities) consist of:

	DECEMBER 31,	
	1997	1996
Current deferred tax assets:		
Bad debt reserves	\$ 160 000	\$ 141 000
Warranty and other reserves	205 000	70 000

	-----	-----
	\$ 365 000	\$ 211 000
	=====	=====
Non-current deferred tax assets (liabilities):		
Net operating loss		
carryforward	\$ --	\$ 269 000
Depreciation	(444 000)	(94 000)
	-----	-----
	(\$ 444 000)	\$ 175 000
	=====	=====

No valuation allowance has been established against the deferred tax assets because management believes that all of the deferred tax assets will be realized.

A reconciliation of the Federal statutory rate to the total effective tax rate applicable to income before taxes on income is as follows:

	YEAR ENDED DECEMBER 31,					
	1997		1996		1995	
	\$	%	\$	%	\$	%
Federal income taxes computed at statutory rates	1 910 000	34.0	1 084 000	34.0	798 000	34.0
Increase in taxes resulting from:						
State and local taxes, net of Federal tax benefit	384 000	6.9	69 000	2.2	51 000	2.2
Expenses not deductible for tax purposes	100 000	1.7	82 000	2.5	87 000	3.7
Other	167 000	3.0	(1 000)	0.0	(82 000)	(3.5)
Taxes on income	2 561 000	45.6	1 234 000	38.7	854 000	36.4

30

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 9 - ACQUISITIONS AND DISCONTINUED OPERATIONS

(a) Acquisitions

During the first quarter of 1995, Florida Pneumatic purchased the assets of Tradesman Tool Co., Inc. ("Tradesman") and Intech Industries, Inc. ("Intech") for cash totalling approximately \$753,000. The operations of both Tradesman and Intech were merged into the operations of Florida Pneumatic. Neither of these acquisitions was material to the consolidated financial statements.

(b) Discontinued operations

In 1994, the Company sold substantially all of the assets and liabilities of Triangle Sheet Metal Works, Inc. ("Triangle"), its sheet metal contracting subsidiary. The assets sold did not include Triangle's land, building and building improvements. As part of the sale agreement, the Company leased this building to its former subsidiary.

In August 1997, the Company sold the land and building to Triangle, for approximately \$1,766,000. The Company realized a gain on the sale of \$542,837, net of income taxes totalling \$850,000.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) The Company and its subsidiaries lease equipment under operating leases through 2000 for approximate minimum annual rentals as follows: 1998 - \$55,000; 1999 - \$33,000 and 2000 - \$7,000.

Rental expense for the years ended December 31, 1997, 1996 and 1995 was approximately \$71,000, \$68,000 and \$88,000, respectively.

(b) The Company and its subsidiaries have adopted a defined contribution pension plan, which covers substantially all non-union employees. Contributions to this plan were determined as a percentage of compensation. The amounts recognized as pension expense for this plan were approximately \$258,000, \$218,000 and \$229,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

One of the Company's subsidiaries also participates in a multi-employer pension plan. This plan provides defined benefits to all union workers. Contributions to this plan are determined by union contracts and the Company does not administer or control the funds in any way. The amounts recognized as pension expense for this plan were approximately \$29,000, \$28,000 and \$28,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

31

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

(c) The Company has employment agreements with two officers. These agreements currently provide for minimum annual aggregate salaries of \$805,000 through September 1998 and \$499,000 through February 2004. These two agreements stipulate that if a change in control of the Company occurs and, as a result, the officers are terminated or are unable to exercise their functions and duties and therefore resign, they shall have the option to receive either full compensation for the remaining term of the agreement or a severance allowance equal to three times average annual compensation for the five previous years.

(d) The Company has a consulting agreement with its former Chairman of the Board. This agreement currently provides for annual consulting fees of \$200,000 through October 1998.

(e) Florida Pneumatic purchases significant amounts of pneumatic tools from two foreign suppliers. Other sources are available. However, the loss of either supplier could cause a temporary disruption in the flow of products, possibly creating an adverse effect on operating results.

32

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - SEGMENTS OF BUSINESS

The following presents financial information by segment for the years ended December 31, 1997, 1996 and 1995. Operating income excludes general corporate expenses, interest expense and income taxes. Identifiable assets are those assets directly owned or utilized by the particular business segment.

(000 OMITTED)	CON-	HEATING	PNEUMATIC TOOLS AND RELATED	OTHER
1997	SOLIDATED	EQUIPMENT	EQUIPMENT	OTHER
----	-----	-----	-----	-----
Net sales	\$ 49 605	\$ 8 343	\$ 37 066	\$ 4 196

	=====	=====	=====	=====
Operating income	\$ 7 337	\$ 420	\$ 6 488	\$ 429
General corporate expense	(2 418)			
Interest expense	(694)			

Income before taxes on income	\$ 4 225			
	=====			
Identifiable assets at December 31, 1997	\$ 29 833	\$ 5 115	\$ 22 629	\$ 2 089
Corporate assets	2 816			

Total assets at December 31, 1997	\$ 32 649			
	=====			
Depreciation (including \$9 corporate)	\$ 647	\$ 231	\$ 387	\$ 20
	=====	=====	=====	=====
Capital expenditures (including \$2 corporate)	\$ 652	\$ 164	\$ 486	\$ --
	=====	=====	=====	=====

33

P & F INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - SEGMENTS OF BUSINESS (continued)

(000 OMITTED)			PNEUMATIC TOOLS AND RELATED EQUIPMENT	
1996	CON- SOLIDATED	HEATING EQUIPMENT	EQUIPMENT	OTHER
	-----	-----	-----	-----
Net sales	\$ 42 650	\$ 8 171	\$ 30 445	\$ 4 034
	=====	=====	=====	=====
Operating income	\$ 5 960	\$ 339	\$ 5 208	\$ 413
General corporate expense	(2 019)			
Interest expense	(754)			

Income before taxes on income	\$ 3 187			
	=====			
Identifiable assets at December 31, 1996	\$ 25 943	\$ 4 640	\$ 19 695	\$ 1 608
Corporate assets	5 389			

Total assets at December 31, 1996	\$ 31 332			
	=====			
Depreciation (including \$13 corporate)	\$ 599	\$ 220	\$ 346	\$ 20
	=====	=====	=====	=====
Capital expenditures (including \$5 corporate)	\$ 278	\$ 208	\$ 65	\$ --
	=====	=====	=====	=====

34

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 11 - SEGMENTS OF BUSINESS (continued)

(000 OMITTED)	CON-	HEATING	PNEUMATIC TOOLS AND RELATED	OTHER
1995	SOLIDATED	EQUIPMENT	EQUIPMENT	OTHER
----	-----	-----	-----	-----
Net sales	\$ 42 646	\$ 7 523	\$ 31 591	\$ 3 532
	=====	=====	=====	=====
Operating income	\$ 5 623	\$ 334	\$ 4 953	\$ 336
General corporate expense	(2 256)	=====	=====	=====
Interest expense	(1 021)	-----	-----	-----
Income before taxes on income	\$ 2 346	=====	=====	=====
	=====	=====	=====	=====
Identifiable assets at December 31, 1995	\$ 34 496	\$ 5 486	\$ 27 136	\$ 1 874
Corporate assets	920	=====	=====	=====
	-----	-----	-----	-----
Total assets at December 31, 1995	\$ 35 416	=====	=====	=====
	=====	=====	=====	=====
Depreciation (including \$13 corporate)	\$ 609	\$ 212	\$ 364	\$ 20
	=====	=====	=====	=====
Capital expenditures (including \$5 corporate)	\$ 402	\$ 189	\$ 208	\$ --
	=====	=====	=====	=====

The baseboard heating manufacturing segment, which sells to plumbing supply houses primarily in the northern tier of the United States, is directly affected by the housing industry. The pneumatic tool manufacturing segment sells primarily throughout the United States.

The pneumatic tool manufacturing segment has two major customers who accounted for 45.1%, 37.4% and 31.4% and 9.1%, 10.8% and 10.8%, respectively, of consolidated net sales for the years ended December 31, 1997, 1996 and 1995, respectively. Two customers accounted for 66.1% and 62.3% of consolidated accounts receivable as of December 31, 1997 and 1996, respectively.

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 12 - UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

Unaudited interim consolidated financial information for the two years ended December 31, 1997 and 1996 is summarized as follows:

	QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
1997	\$	\$	\$	\$
----	-----	-----	-----	-----
Net sales	9 188 688	10 533 536	14 862 840	15 020 416
	=====	=====	=====	=====
Gross profit	3 354 474	3 765 067	4 740 229	4 605 402

	=====	=====	=====	=====
Income available to common shareholders:				
Continuing operations	339 616	487 038	871 556	793 711
Discontinued operation	--	--	542 837	--
Total	339 616	487 038	1 414 393	793 711

Earnings per share of common stock (a):				
Basic				
Continuing operations	.12	.16	.29	.26
Discontinued operation	--	--	.18	--
Total	.12	.16	.47	.26

Diluted				
Continuing operations	.10	.14	.25	.22
Discontinued operation	--	--	.15	--
Total	.10	.14	.40	.22

(a) After giving effect to dividends paid on preferred stock, as described in the Summary of Accounting Policies.

The earnings per share amounts for the first three quarters of 1997 have been restated to comply with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share".

36

P & F INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 12 - UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

	QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
	-----	-----	-----	-----
1996	\$	\$	\$	\$
Net sales	9 334 135	9 593 600	12 857 555	10 865 052
Gross profit	3 191 130	3 264 241	4 070 487	3 426 184
Income available to common shareholders	284 457	289 959	646 066	469 460
Earnings per share of common stock (a):				
Basic	.10	.10	.22	.16
Diluted	.09	.09	.20	.14

(a) After giving effect to dividends paid on preferred stock, as described in the Summary of Accounting Policies.

The earnings per share amounts for 1996 have been restated to comply with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share".

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Interest	\$ 818 552	\$ 1 029 075	\$ 1 159 936
Income taxes	\$ 2 113 329	\$ 1 242 199	\$ 340 407
Accruals included in gain on sale of fixed assets of discontinued operation	\$ 218 894	\$ --	\$ --

37

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 14 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share from continuing operations:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Numerator:			
Net income from continuing operations	\$2 513 779	\$1 953 287	\$1 491 975
Dividends on preferred stock	(21 858)	(263 345)	(263 345)
Numerator for basic and diluted earnings per common share - income from continuing operations available to common shareholders	\$2 491 921	\$1 689 942	\$1 228 630
Denominator:			
Denominator for basic earnings per share - weighted average common shares outstanding	2 986 920	2 929 991	2 929 991
Effect of dilutive securities: Common stock options	538 770	307 600	217 635
Denominator for diluted earnings per share - adjusted weighted average common shares and assumed conversions	3 525 690	3 237 591	3 147 626
Basic earnings per common share from continuing operations	\$.83	\$.58	\$.42
Diluted earnings per common share from continuing operations	\$.71	\$.52	\$.39

38

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to the directors and executive officers of the Registrant is set forth in the Registrant's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation is set forth in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information relating to the security ownership of certain beneficial owners and management is set forth in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information relating to certain relationships and related transactions is set forth in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

39

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

	PAGE
(a) Financial statements and financial statement schedules	----
(1) The consolidated financial statements of the Registrant as set forth under Item 8 are filed as part of this report.	
(2) The following consolidated financial statement schedule for the three years ended December 31, 1997, 1996 and 1995 is filed as part of this report:	
Schedule II - Valuation and Qualifying Accounts	41
All other schedules are omitted because they are not required, are not applicable, or the required information is otherwise shown in the financial statements or notes thereto.	
(b) The following exhibits are filed as part of this report:	
Exhibit 23 - Consent of BDO Seidman, LLP	43
Exhibit 27 - Financial Data Schedule	44-47
(c) Reports on Form 8-K.	

No reports on Form 8-K have been filed by the Registrant during the last quarter of the period covered by this report.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- CHARGED BALANCE AT BEGINNING OF PERIOD -----	COLUMN C ----- ADDITIONS ----- TO COSTS AND EXPENSES -----		COLUMN D ----- DEDUCTIONS -----	COLUMN E ----- BALANCE AT END OF PERIOD -----
Year ended December 31, 1997:					
Allowance for possible losses	\$ 370 410 =====	\$ 77 327 =====	\$ -- =====	\$ 26 723 (a) =====	\$ 421 014 =====
Year ended December 31, 1996:					
Allowance for possible losses	\$ 350 684 =====	\$ 59 817 =====	\$ -- =====	\$ 40 091 (a) =====	\$ 370 410 =====
Year ended December 31, 1995:					
Allowance for possible losses	\$ 354 252 =====	\$ 77 307 =====	\$ -- =====	\$ 80 875 (a) =====	\$ 350 684 =====
Reserve for disposal of discontinued operations	\$ 69 078 =====	\$ -- =====	\$ -- =====	\$ 69 078 (a) =====	\$ -- =====

(a) Write-off of expenses against reserve.

SIGNATURES

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

P & F INDUSTRIES, INC.
(Registrant)

By: /s/ RICHARD A. HOROWITZ

Richard A. Horowitz
Chairman of the Board
President
Principal Executive Officer
Principal Operating Officer

By: /S/ LEON D. FELDMAN

Leon D. Feldman
Executive Vice President
Treasurer
Principal Financial and
Accounting Officer

Date: March 16, 1998

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

Robert L. Dubofsky, Director

/s/ LEON D. FELDMAN

Leon D. Feldman, Director

/s/ RICHARD A. HOROWITZ

Richard A. Horowitz, Director

/s/ SIDNEY HOROWITZ

Sidney Horowitz, Director

/s/ ARTHUR HUG, JR.

Arthur Hug, Jr., Director

/s/ DENNIS KALICK

Dennis Kalick, Director

Earle K. Moore, Director

Marc A. Utay, Director

Date: March 16, 1998

EXHIBIT 23

CONSENT OF BDO SEIDMAN, LLP

P & F Industries, Inc.
Farmingdale, New York

We hereby consent to the incorporation by reference in the Form S-8 Registration Statement filed on February 18, 1997 of our report dated March 16, 1998, relating to the consolidated financial statements of P & F Industries, Inc. and subsidiaries appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

We also consent to the reference to us under the caption "Experts" in the Form S-8 Registration Statement.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

New York, New York
March 16, 1998

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5

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This financial data schedule contains summary financial information extracted from the consolidated financial statements included in P & F Industries, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

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This restated financial data schedule contains summary financial information extracted from the consolidated financial statements included in P & F Industries, Inc.'s Annual Report on Form 10-K for the years ended December 31, 1996 and December 31, 1995 and is qualified in its entirety by reference to such financial statements.

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This restated financial data schedule contains summary financial information extracted from the consolidated financial statements included in P & F Industries, Inc.'s quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997 and is qualified in its entirety by reference to such financial statements.

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This restated financial data schedule contains summary financial information extracted from the consolidated financial statements included in P & F Industries, Inc.'s quarterly reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996 and is qualified in its entirety by reference to such financial statements.

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<SALES>	9,334,135	18,927,735	31,785,290
<TOTAL-REVENUES>	9,376,425	19,067,635	32,023,041
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<F1> ACCOUNTS RECEIVABLE ARE NET OF ALLOWANCE

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