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FORM 10-K405

P&F INDUSTRIES INC - PFIN

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Annual report filed under Regulation S-K Item 405 (Discontinued)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

/ / 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 (State or other jurisdiction of incorporation or organization)	22-1657413 (I.R.S. Employer Identification Number)
300 SMITH STREET, FARMINGDALE, NEW YORK (Address of principal executive offices)	11735 (Zip Code)

Registrant's telephone number, including area code: (631) 694-1800

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

Title of each class	Name of each exchange on which registered
NONE	NONE

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

CLASS A COMMON STOCK, $1.00 PAR VALUE
(Title of class)

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

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

The aggregate market value of the voting stock held by non-affiliates of the

Registrant, based on the last sale price on March 19, 2001, was approximately $14,754,000.

As of March 19, 2001, there were 3,554,448 shares of the Registrant's Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference information from the Registrant's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders.

P & F INDUSTRIES, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000
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SAFE HARBOR STATEMENT
UNDER THE PRIVATE SECURITIES
LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein, including those related to the Company's performance for the year 2001, are based upon the Company's historical performance and on current plans, estimates and expectations. They are subject to various risks and uncertainties, including, but not limited to, the impact of competition, product demand and pricing, investment results, legislative and regulatory developments and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. These risks could cause the Company's actual results for the 2001 fiscal year and beyond to differ materially from those expressed in any forward-looking statement made by or on behalf of the Company. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I

ITEM 1. BUSINESS

P & F Industries, Inc. and its subsidiaries (the "Company") conduct business operations through the three 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. Green Manufacturing, Inc. ("Green") is engaged primarily in the manufacture, development and sale of heavy-duty welded custom designed hydraulic cylinders. Green also manufactures a line of access equipment for the petro-chemical industry and a line of post hole digging equipment for the agricultural industry. Note 8 of the Notes to Consolidated Financial Statements presents additional information regarding the acquisition of Green. 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 10 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., that accounted for 23.4%, 24.7% and 35.7%, and 7.4%, 7.7% and 10.1% of consolidated revenues for the years ended December 31, 2000, 1999 and 1998, respectively. A third major customer, The Home Depot, is a customer of both Florida Pneumatic and Franklin, and accounted for 14.0%, 10.1% and 0.5% of consolidated revenues for the years ended December 31, 2000, 1999 and 1998, respectively. Revenues derived from countries outside the United States were immaterial for the years ended December 31, 2000, 1999 and 1998.

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 and impact wrenches. 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 and Taiwan, along with sales of some products imported from 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.

Berkley markets a product line consisting of pipe and bolt dies, pipe taps, pipe and tubing cutter wheels 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.

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

Two customers accounted for 55.6%, 57.4% and 70.4% of Florida Pneumatic's revenues in 2000, 1999 and 1998, respectively. A third customer accounted for 21.4% and 14.7% of Florida Pneumatic's revenues in 2000 and 1999, respectively. The Company believes that its relationships with these customers remain excellent.

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. Although other sources are available, the loss of either supplier could cause a temporary disruption in the flow of products, possibly creating an adverse effect on operating results.

GREEN

Green is engaged primarily in the manufacture, development and sale of heavy-duty welded custom designed hydraulic cylinders. All of Green's hydraulic cylinders are sold for use as integrated components on a variety of equipment and machinery manufactured by others. Hydraulic cylinders are welded casings whose internal chambers consist of a rod and piston surrounded by a petroleum-based fluid. The casings contain openings or valves which allow the introduction of fluid into one side of the chamber at high pressure. The introduction of fluid causes the rod/piston to move with tremendous force and allows for the pushing or lifting of extremely heavy loads.

Green's products, which are sold throughout the United States, are used on tow trucks and car carriers for hoisting and lifting cars and on aerial lifts and cranes to raise platforms and other heavy objects. The cylinders are also used on various types of construction equipment for digging and as steering mechanisms. They are also installed in compacting equipment, as the means to compress recyclable cardboard or other refuse.

Green specializes in cylinders that range in bore size from 1 to 8 inches and stroke, or extend, up to 180 inches. Each cylinder is engineered to the customer's specifications.

Green sells its products directly to OEM customers, at prices ranging from $50 to $1,500, with an approximate average selling price of $150.

The primary competitive factors in the hydraulic cylinder industry are quality and timely delivery.

Green also manufactures a line of access equipment for the petro-chemical and bulk storage industries. This product line, which accounts for approximately 10% of Green's revenues, consists of bridges, platforms, walkways and stairways, constructed of steel or aluminum and generally installed outdoors. These products are designed to customers' specifications and are sold for use in overhead and elevated access to large containers, including rail cars and storage tanks.

Green also markets a small line of diggers used primarily as attachments to small tractors for light farm work. This product line, which accounts for approximately 5% of Green's revenues, is marketed through farm equipment dealers and wholesalers.

Green's business does not exhibit a great deal of seasonality, but revenues from agricultural equipment are stronger during the growing season. Backlogs totalling as much as 25% of yearly sales are standard for the cylinder business.

One customer accounted for 24.9%, 22.6% and 24.1% of Green's revenues in 2000, 1999 and 1998, respectively. The Company believes that its relationship with this customer remains excellent.

Green purchases significant amounts of raw materials from one supplier. Other sources are available, however, and the Company believes that the loss of this supplier would not cause any disruption in the flow of products or have 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 radiant heating systems radiate heat provided by hot water circulating through plastic tubing, which is generally 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 approximately 16.5%, 15.4% and 15.3% of Embassy's total heating equipment revenues in 2000, 1999 and 1998, respectively.

Baseboard and radiant heating systems compete with forced hot-air and electric heating systems. Compared to baseboard and radiant heating systems, electric heating systems are generally more expensive to operate, while 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. Radiant heating systems are generally the most expensive of these systems to install and therefore tend to be installed more often in custom and higher priced homes. Since Embassy's products are used primarily in new installations, its sales are related to housing starts.

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

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 57.2% of Embassy's heating equipment revenues coming in the last six months of the year.

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. Four customers accounted for approximately 73.6%, 67.9% and 55.8% of Franklin's revenues in 2000, 1999 and 1998, respectively. Two of these customers, who accounted for approximately 18.3%, 21.9% and 27.8% of Franklin's revenues in 2000, 1999 and 1998, respectively, have filed for bankruptcy. The Company believes that its relationships with the remaining two customers continue to be excellent.

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 398 persons as of December 31, 2000, including 5 at corporate headquarters. The 90 employees of the pneumatic tool segment and the 207 employees of the hydraulic cylinder segment are not represented by a union. Of the 96 persons employed in the heating equipment and hardware segments, 67 factory workers are covered by a single-employer union contract. The heating equipment union contract expires on November 30, 2001. The Company believes that its relations with its employees are satisfactory.

ITEM 2. PROPERTIES

Embassy, Florida Pneumatic and Green each own the plant facilities which they occupy. The facilities owned by Embassy and Florida Pneumatic are subject to mortgages. 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. Green's 85,000 square foot plant facility is located in Bowling Green, Ohio. Each facility either provides adequate space for the operations of the respective subsidiary in the foreseeable future or can be expanded to provide additional space. The Company's executive offices are located in Embassy's facility in Farmingdale, New York.

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 range of high and low bid information for the Company's Class A Common Stock during the last two fiscal years was as follows:

2000	HIGH	LOW
First Quarter	$13	$5 15/16
Second Quarter	9 1/16	6 9/16
Third Quarter	8 1/2	6 1/2
Fourth Quarter	7 3/8	4 15/16

1999	HIGH	LOW
First Quarter	$10 1/8	$8 7/8
Second Quarter	10 1/8	8 1/8
Third Quarter	9 7/8	7 29/32
Fourth Quarter	8 3/8	6 1/4

Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

As of March 19, 2001, there were approximately 1,600 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.

ITEM 6. SELECTED 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.

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
Revenues	$80,898,674	$82,700,440	$58,165,715	$50,026,947	$43,078,371
Income from continuing operations	$ 3,824,940	$ 4,545,505	$ 3,943,441	$ 2,513,779	$ 1,953,287
Income from continuing operations per share of common stock:					
Basic	$ 1.07	$ 1.35	$ 1.23	$ .83	$ .58
Diluted	$ 1.04	$ 1.23	$ 1.07	$ .71	$ .52
Total assets	$54,152,817	$54,240,359	$48,078,479	$32,648,895	$31,331,643
Long-term obligations, less current maturities	$ 3,862,512	$ 7,325,661	$10,193,064	$ 5,124,883	$ 5,288,570
Cash dividends declared per common share	$ --	$ --	$ --	$ --	$ --

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

2000 COMPARED TO 1999

Consolidated revenues decreased 2.2%, from $82,700,440 to $80,898,674. Revenues from pneumatic tools and related equipment decreased 3.9%, from $46,708,679 to $44,872,344, due primarily to the non-recurrence of shipments to one large customer for special sales promotions by that customer. The selling prices of pneumatic tools and related equipment were unchanged during the year.

Revenues from hydraulic cylinders and other equipment decreased 1.9%, from $20,611,682 to $20,219,885, due primarily to a plant shutdown at a significant customer in the fourth quarter of 2000. Selling prices of hydraulic cylinders and other equipment were increased by approximately 5% to a majority of customers during the fourth quarter of 2000.

Revenues from heating equipment increased 4.2%, from $9,843,257 to $10,256,599, due primarily to a 12% increase in radiant sales and a 3% increase in baseboard sales to a broad range of customers. Average selling prices for all heating equipment products were unchanged during the year.

Revenues from hardware products increased slightly, from $5,536,822 to $5,549,846. Selling prices of hardware products were unchanged during the year.

Consolidated gross profit, as a percentage of revenues, decreased from 30.9%

to 30.5%. Gross profit from pneumatic tools and related equipment decreased from 37.5% to 36.8%, due to a less favorable exchange rate of the dollar compared to the Japanese yen, which raised the cost of imported product. Gross profit from hydraulic cylinders and other equipment decreased from 14.6% to 14.2%, due primarily to a significant across-the-board wage increase to factory employees that was implemented during the third quarter of 2000. Gross profit from heating equipment increased from 35.8% to 36.6%, due primarily to a change in product mix and a decrease in the cost of some raw materials. Gross profit from hardware products increased from 26.3% to 28.0%, due to a change in product mix.

Consolidated selling, general and administrative expenses increased 1.5%, from $16,944,706 to $17,199,793, due primarily to annual wage increases. As a percentage of revenues, selling, general and administrative expenses increased from 20.5% to 21.3%, due primarily to the decrease in revenues.

Interest expense increased slightly, from $1,389,383 to $1,390,949. A decrease in average borrowings outstanding was offset by an increase in interest rates.

The effective tax rates for the years ended December 31, 2000 and 1999 were 37.2% and 36.8%, respectively. See Note 7 of the Notes to Consolidated Financial Statements.

1999 COMPARED TO 1998

Consolidated revenues increased 42.2%, from $58,165,715 to $82,700,440. Revenues from pneumatic tools and related equipment increased substantially, from $37,806,138 to $46,708,679, due primarily to the addition of a new large customer during the fourth quarter. The selling prices of pneumatic tools and related equipment were unchanged during the year.

Revenues from hydraulic cylinders and other equipment increased 213.0%, from $6,584,830 to $20,611,682. Revenues for 1999 were for the entire year, while revenues for 1998 were for only the period from the date of the acquisition of Green to December 31, 1998. Selling prices for hydraulic cylinders and other equipment were unchanged during the year.

Revenues from heating equipment increased 4.5%, from $9,423,633 to $9,843,257. This increase was consistent across both the baseboard and radiant product lines. Average selling prices for baseboard product, the bulk of the product line, were unchanged from 1998. Selling prices of radiant tubing were reduced by an average of 12% in 1999 in an attempt to stimulate demand.

Revenues from hardware products increased 27.3%, from $4,351,114 to $5,536,822. This increase was almost exclusively the result of shipments to a new large customer that was obtained midway through 1998. Selling prices of hardware products were virtually unchanged, with the exception of one significant region where discounting was undertaken to maintain competitiveness.

Consolidated gross profit, as a percentage of revenues, decreased from 35.5% to 30.9%, due primarily to the lower overall gross margins from hydraulic cylinders and other equipment. Gross profit from pneumatic tools and related equipment decreased from 40.1% to 37.5%, due to a less favorable exchange rate of the dollar compared to the Japanese yen, which raised the cost of imported product. Gross profit from hydraulic cylinders decreased from 15.8% to 14.6%, due primarily to a temporary decrease in labor productivity, as well as to a less favorable product mix. Gross profit from heating equipment products increased from 34.1% to 35.8%, due primarily to an increase in labor productivity and a reduction in the cost of some raw materials. Gross profit from hardware decreased from 28.3% to 26.3%, due to the price discounting noted above. In addition, an increase in warehouse expenses associated with a large increase in the average number of orders per dollar of revenue had a negative impact on gross profit from hardware.

Consolidated selling, general and administrative expenses increased 27.1%, from $13,332,424 to $16,944,706, due primarily to the inclusion of Green's expenses for the entire year in 1999. As a percentage of revenues, selling, general and administrative expenses decreased from 22.9% to 20.5%, due primarily to the increase in revenues.

Interest expense increased 80.0%, from $772,035 to $1,389,383, primarily due to the debt related to the Green acquisition, the funds borrowed to build-up inventory associated with the large new customer gained in the fourth quarter and, to a lesser extent, an increase in the average borrowing rate.

The effective tax rates for the years ended December 31, 1999 and 1998 were 36.8% and 39.6%, respectively. See Note 7 of the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

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

	DECEMBER 31,		
	2000	1999	1998
	(AMOUNTS IN THOUSANDS, EXCEPT FOR RATIOS)		
Working Capital............................	$19,137	$17,921	$15,994
Current Ratio..............................	2.16 to 1	2.04 to 1	2.24 to 1
Shareholders' Equity.......................	$32,992	$29,025	$24,450

During 2000, gross accounts receivable decreased by $1,888,383. Florida Pneumatic's accounts receivable decreased by approximately $1,375,000, and Green's accounts receivable decreased by approximately $450,000. These decreases in accounts receivable were primarily the result of decreases in sales in November and December of 2000 versus 1999. Florida Pneumatic's sales for this period decreased by approximately $1,500,000 and Green's sales decreased by approximately $790,000. Inventories increased by $2,804,489 during 2000. Florida Pneumatic's inventory increased by approximately $970,000, primarily as the result of additional purchases made in anticipation of an increase in orders at a larger customer that did not materialize. Green's inventory increased by approximately $1,330,000, primarily as the result of a strategic decision to reduce machine set-up costs by increasing production run quantities. Also contributing to the increase at Green was the decision to build safety stock for several large customers. Embassy's inventory increased by approximately $500,000, due primarily to lower than expected sales in the fourth quarter of 2000, as well as to the timing of inventory receipts in late December 2000. Inventory also increased with the addition of a new boiler product line that is to be marketed beginning in 2001. The net

increase of $916,106 resulting from the changes in accounts receivable and inventories was financed by cash derived from operations.

During 1999, gross accounts receivable increased by $3,812,583. Florida Pneumatic's accounts receivable increased by approximately $4,050,000, while Green's accounts receivable decreased by approximately $400,000. The increase at Florida Pneumatic was primarily the result of the timing of shipments to a large customer, which resulted in an increase of approximately $2,125,000 in accounts receivable. During 1999, sales to the new customer noted above increased accounts receivable by approximately $1,300,000. The decrease in accounts receivable at Green was primarily the result of improved collections, which resulted in a 9% decrease in average days of accounts receivable outstanding. Inventories increased $3,593,026, primarily to support the increase in revenues. The increases in accounts receivable and inventories were financed by an increase in short-term borrowings of $2,500,000 and by the cash derived from operations.

On July 12, 2000, the Company renewed its credit agreement, as amended, with European American Bank. This agreement provides the Company with various credit facilities, including revolving credit loans, term loans for acquisitions and a foreign exchange line. The revolving credit loan facility provides a total of $12,000,000, with various sublimits, for direct borrowings, letters of credit, bankers' acceptances and equipment loans. At December 31, 2000, there was $9,000,000 outstanding against the revolving credit loan facility. There was also a commitment of approximately $310,000 at December 31, 2000 for open letters of credit.

The term loan facility provides a commitment of $15,000,000 to finance acquisitions subject to the lending banks approval. In September 1998, $10,000,000 of the term loan facility was used to help finance the acquisition of Green. There was no loan balance outstanding against this facility at December 31, 2000. There was, however, a standby letter of credit totalling approximately $670,000 outstanding against this facility at December 31, 2000. This standby letter of credit was used to secure the Economic Development Revenue Bond assumed as part of the acquisition of Green.

The foreign exchange line provides for 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, 2000 was approximately $1,974,000.

The Company's credit 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, 2000, and for the year then ended, the Company satisfied all of these covenants.

Capital spending was approximately $1,148,000, $1,647,000, and $1,416,000 in 2000, 1999 and 1998, respectively, which amounts were provided from working capital. Capital expenditures for 2001 are expected to be approximately $1,268,000, some of which may be financed through the Company's credit facilities. Included in the expected total for 2001 are capital expenditures relating to new products, expansion of existing product lines and replacement of old equipment.

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. Nevertheless, the weakening of the U.S. dollar versus the Japanese yen in 2000 had a negative effect on the Company's results of operations and its financial position.

The Company believes that cash on hand, cash derived from operations and cash available through borrowings under its credit facilities will be sufficient to allow the Company to support its capital expenditure program and to meet its foreseeable working capital needs.

NEW ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 is effective for transactions entered into after January 1, 2001 and requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. The Company does not believe that the adoption of SFAS 133 will have a material impact on either its results of operations or its financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks, which include changes in U.S. and international exchange rates, the prices of certain commodities and currency rates as measured against the U.S. dollar and each other. The Company attempts to reduce the risks related to foreign currency fluctuation by utilizing financial instruments, pursuant to Company policy.

The value of the U.S. dollar affects the Company's financial results. Changes in exchange rates may positively or negatively affect the Company's gross margins and operating expenses. The Company engages in hedging programs aimed at limiting, in part, the impact of currency fluctuations. Using primarily forward exchange contracts, the Company hedges some of those transactions that, when remeasured according to accounting principles generally accepted in the United States of America. Factors that could impact the effectiveness of the Company's programs include volatility of the currency markets and availability of hedging instruments. All currency contracts that are entered into by the Company are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure, not for speculation. The Company does not buy or sell financial instruments for trading purposes. Although the Company maintains these programs to reduce the impact of changes in currency exchange rates, when the U.S. dollar sustains a weakening exchange rate against currencies in which the Company incurs costs, the Company's costs are adversely affected. At December 31, 2000, the Company held open hedge forward contracts to deliver approximately $1,974,000 of Japanese yen. The potential loss in value of the Company's net investment in foreign currency forward contracts resulting from a hypothetical 10 percent adverse change in foreign currency exchange rates at December 31, 2000 is approximately $219,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

P & F INDUSTRIES, INC. AND SUBSIDIARIES
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AND SUPPLEMENTARY DATA

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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, 2000 and 1999 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States of America. 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, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

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 8, 2001

P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31, 2000	DECEMBER 31, 1999
CURRENT:		
Cash	$ 388,422	$ 1,305,351
Accounts receivable, less allowance for possible losses of $496,569 and $767,456 (Notes 3 and 10)	10,468,504	12,086,000
Inventories (Notes 2 and 3)	23,418,990	20,614,501
Deferred income taxes (Note 7)	528,000	532,000
Prepaid expenses and other	762,548	570,914
TOTAL CURRENT ASSETS	35,566,464	35,108,766
PROPERTY AND EQUIPMENT (Notes 3 and 4):		
Land	1,182,938	1,182,939
Buildings and improvements	5,983,654	5,942,838
Machinery and equipment	12,129,262	11,078,539
	19,295,854	18,204,316
Less accumulated depreciation and amortization	8,506,651	7,200,142
NET PROPERTY AND EQUIPMENT	10,789,203	11,004,174
GOODWILL, net of accumulated amortization of $1,838,911 and $1,514,476	7,626,047	7,950,482
OTHER ASSETS	171,103	176,937
	$54,152,817	$54,240,359

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND SHAREHOLDERS' EQUITY	DECEMBER 31, 2000	DECEMBER 31, 1999
CURRENT LIABILITIES:		
Short-term borrowings (Note 3)	$ 9,000,000	$ 6,000,000
Accounts payable	3,177,469	5,592,249
Accruals:		
Compensation	2,242,110	2,474,519
Other	1,713,486	2,173,516

Current maturities of long-term debt (Note 4)	296,106	947,884
TOTAL CURRENT LIABILITIES	16,429,171	17,188,168
LONG-TERM DEBT, less current maturities (Note 4)	3,862,512	7,325,661
DEFERRED INCOME TAXES (Note 7)	869,000	702,000
TOTAL LIABILITIES	21,160,683	25,215,829
COMMITMENTS AND CONTINGENCIES (Notes 3, 4 and 9)		
SHAREHOLDERS' EQUITY (Notes 5 and 6):		
Preferred stock--$10 par authorized--2,000,000 shares; no shares outstanding	--	--
Common stock:		
Class A--$1 par authorized--7,000,000 shares; issued--3,677,593 shares and 3,504,893 shares	3,677,593	3,504,893
Class B--$1 par authorized--2,000,000 shares; no shares issued or outstanding	--	--
Additional paid-in capital	8,464,139	8,282,602
Retained earnings	21,560,475	17,735,535
Treasury stock, at cost (72,185 shares and 49,235 shares)	(710,073)	(498,500)
TOTAL SHAREHOLDERS' EQUITY	32,992,134	29,024,530
	$54,152,817	$54,240,359

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
REVENUES (Note 10):			
Net sales	$80,044,420	$81,936,434	$57,363,317
Other	854,254	764,006	802,398
	80,898,674	82,700,440	58,165,715
COSTS AND EXPENSES:			
Cost of sales	56,218,992	57,168,846	37,534,815
Selling, administrative and general	17,199,793	16,944,706	13,332,424
Interest	1,390,949	1,389,383	772,035
	74,809,734	75,502,935	51,639,274
INCOME BEFORE TAXES ON INCOME	6,088,940	7,197,505	6,526,441
TAXES ON INCOME (Note 7)	2,264,000	2,652,000	2,583,000
NET INCOME	$ 3,824,940	$ 4,545,505	$ 3,943,441
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 12):			
BASIC	3,560,786	3,370,098	3,208,181
DILUTED	3,686,331	3,704,363	3,689,963
EARNINGS PER SHARE OF COMMON STOCK (Note 12):			
BASIC	$ 1.07	$ 1.35	$ 1.23
DILUTED:	$ 1.04	$ 1.23	$ 1.07

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000	CLASS A COMMON STOCK--$1 PAR SHARES	CLASS A COMMON STOCK--$1 PAR AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT
BALANCE, JANUARY 1, 1998	3,101,845	$3,101,845	$7,772,239	$ 9,246,589	--	$ --
Net income for the year ended December 31, 1998	--	--	--	3,943,441	--	--
Exercise of stock options	137,500	137,500	91,438	--	--	--
Tax benefit from exercise of stock options	--	--	157,000	--	--	--
BALANCE, DECEMBER 31, 1998	3,239,345	3,239,345	8,020,677	13,190,030	--	--
Net income for the year ended December 31, 1999	--	--	--	4,545,505	--	--
Exercise of stock options	265,548	265,548	261,925	--	--	--
Shares surrendered as payment for exercise of stock options	--	--	--	--	(49,235)	(498,500)
BALANCE, DECEMBER 31, 1999	3,504,893	3,504,893	8,282,602	17,735,535	(49,235)	(498,500)
Net income for the year ended December 31, 2000	--	--	--	3,824,940	--	--
Exercise of stock options	172,700	172,700	181,537	--	--	--
Shares surrendered as payment for exercise of stock options	--	--	--	--	(19,925)	(192,500)
Purchase of Class A Common Stock	--	--	--	--	(3,025)	(19,073)
BALANCE, DECEMBER 31, 2000	3,677,593	$3,677,593	$8,464,139	$21,560,475	(72,185)	$(710,073)

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,824,940	$ 4,545,505	$ 3,943,441
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,359,619	1,240,600	795,198
Amortization of goodwill and other intangible assets	341,614	354,940	183,707
Provision for losses on accounts receivable net	(270,887)	268,787	18,776
Deferred income taxes	171,000	186,000	(95,000)
Loss (gain) on disposal of fixed assets	(49,026)	22,262	--
Tax benefit from exercise of stock options	--	--	157,000
Decrease (increase):			
Accounts receivable	1,888,383	(3,812,583)	1,948,907
Inventories	(2,804,489)	(3,593,026)	(2,020,088)

Prepaid expenses and other........................	(191,634)	15,999	(231,668)
Other assets......................................	(11,345)	29,173	2,450
Increase (decrease):			
Accounts payable..................................	(2,414,780)	747,846	12,250
Accruals..	(692,439)	573,049	850,407
Total adjustments............................	(2,673,984)	(3,966,953)	1,621,939
Net cash provided by operating activities.....	1,150,956	578,552	5,565,380
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures...............................	(1,147,816)	(1,646,999)	(1,415,999)
Purchase of assets of Green Manufacturing, Inc......	--	--	(10,284,685)
Payments for acquisition-related expenses...........	--	--	(448,163)
Proceeds from sale of fixed assets..................	52,194	8,530	--
Net cash used in investing activities.........	(1,095,622)	(1,638,469)	(12,148,847)

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings...............	10,500,000	12,500,000	16,253,023
Repayments of short-term borrowings...............	(7,500,000)	(10,000,000)	(14,013,023)
Proceeds from acquisition loan....................	--	--	10,000,000
Proceeds from mortgage refinancing................	--	1,800,000	--
Principal payments on long-term debt..............	(4,114,927)	(4,244,493)	(4,327,727)
Redemption of subordinated debentures.............	--	--	(1,369,200)
Proceeds from exercise of stock options and warrants..	354,237	28,973	228,938
Purchase of Class A Common Stock..................	(211,573)	--	--
Net cash (used in) provided by financing activities....................................	(972,263)	84,480	6,772,011
NET INCREASE (DECREASE) IN CASH.....................	(916,929)	(975,437)	188,544
CASH AT BEGINNING OF YEAR...........................	1,305,351	2,280,788	2,092,244
CASH AT END OF YEAR.................................	$ 388,422	$ 1,305,351	$ 2,280,788

See accompanying 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 its three 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, a line of pipe cutting and threading tools, wrenches and replacement electrical components for a widely-used brand of pipe cutting and threading machines. Green Manufacturing, Inc. ("Green") is engaged primarily in the manufacture, development and sale of heavy-duty welded custom designed hydraulic cylinders. Green also manufactures a line of access equipment for the petro-chemical industry and a line of post hole digging equipment for the agricultural industry. 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. Note 10 presents financial information for the segments of the Company's business.

BASIS OF FINANCIAL STATEMENT PRESENTATION

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

REVENUE RECOGNITION

The Company records revenues when products are shipped.

Effective January 1, 2000, the Company adopted Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101"). SAB 101 requires that a company recognize income only if: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the price is fixed or determinable; and collectibility is reasonably assured. The adoption of SAB 101 has had no material effect on either the Company's balance sheet or its statements of operations and cash flows.

FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments, including cash and short-term debt, approximated fair value as of December 31, 2000 and 1999, 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, 2000 and 1999, based upon quoted market prices for the same or similar debt issues.

At December 31, 2000, the Company had foreign currency forward contracts, maturing in 2001, to purchase approximately $1,974,000 in Japanese yen at contracted forward rates.

NOTE 1--SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The Company enters into foreign currency forward contracts as a hedge against foreign accounts payable. At December 31, 2000, 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.

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 AND AMORTIZATION

Property and equipment are stated at cost.

Depreciation and amortization are computed by the straight-line method for financial reporting purposes 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 periods from 25 to 40 years. The amounts recognized as amortization expense were $324,435, $324,436 and $164,318 for the years ended December 31, 2000, 1999 and 1998, respectively.

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 the fair value of the goodwill is deemed to be less than its carrying value. 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.

NOTE 1--SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
TAXES ON INCOME

The Company files a consolidated Federal tax return. The parent company and each of its subsidiaries file 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

Basic earnings per share is based only on the average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the effect of shares of common stock issuable upon the exercise of options, warrants and convertible securities.

Diluted earnings per share is computed using the treasury stock method. Under this method, the aggregate number of shares of common stock outstanding reflects the assumed use of proceeds from the hypothetical exercise of any outstanding options or warrants to purchase shares of the Company's Class A Common Stock. The average market value for the period is used as the assumed purchase price.

STOCK-BASED COMPENSATION

The Company accounts for its stock option awards to its employees under the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied, as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

SHIPPING AND HANDLING COSTS

The Company generally does not bill customers for shipping and handling costs. The amounts billed for these costs are not considered material and are offset against expenses included in Selling, General and Administrative expenses.

NEW ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 is effective for transactions entered into after January 1, 2001 and requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a

derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. The Company does not believe that the adoption of SFAS 133 will have a material impact on either its results of operations or its financial position.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year's presentation.

NOTE 2--INVENTORIES

Inventories consist of:

	DECEMBER 31,	
	2000	1999

Raw materials	$ 3,973,442	$ 4,128,374
Work-in-process	934,283	812,929
Finished goods	18,511,265	15,673,198
	$23,418,990	$20,614,501

NOTE 3--SHORT-TERM BORROWINGS

The Company's credit agreement with a bank includes a revolving credit loan facility which provides a total of $12,000,000, with various sublimits, for direct borrowings, letters of credit, bankers' acceptances and equipment loans. At December 31, 2000, there was $9,000,000 outstanding against the revolving credit loan facility. There was also a commitment of approximately $310,000 at December 31, 2000 for open letters of credit.

The credit agreement also includes a foreign exchange line, which provides for 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, 2000 was approximately $1,974,000.

Direct borrowings under the Company's revolving credit loan facility are secured by the accounts receivable, inventory and equipment of the Company and are cross-guaranteed by each of the Company's subsidiaries. These borrowings bear interest at either the prime interest rate or LIBOR plus 1.6%. The prime interest rate at December 31, 2000 was 9.5% and LIBOR was approximately 6.6%. The prime interest rate at December 31, 1999 was 8.5% and LIBOR was approximately 5.8%.

The Company's credit 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, 2000, and for the year then ended, the Company satisfied all of these covenants.

NOTE 4--LONG-TERM DEBT

Long-term debt consists of:

	DECEMBER 31, 2000	DECEMBER 31, 1999
Term loan--principal amount outstanding at October 1, 1999 to be paid in equal monthly installments (plus interest at LIBOR plus 1.75%) through September 2005 (a)	$ --	$3,833,333
Mortgage loan--$17,438 payable monthly (plus interest at 8.16%) through May 2006, when a final payment of approximately $1,435,000 is due (b)	1,827,437	1,884,993
Mortgage loan--$16,370 payable monthly (plus interest at 7.09%) through February 2014 (b)	1,671,181	1,745,219
Economic Development Revenue Bond--payable yearly in various principal amounts (plus interest at variable rates) through November 2004 (c)	660,000	810,000
	4,158,618	8,273,545
Less current maturities	296,106	947,884
	$3,862,512	$7,325,661

(a) In December 2000, the balance outstanding on this term loan, $3,166,667, was transferred to the Company's revolving credit facility, which bears interest at a lower rate than did the term loan.

(b) These mortgages payable relate to the land and buildings of the Company's subsidiaries. Property with a net book value of approximately $4,916,000 is pledged as collateral.

(c) The interest rate at December 31, 2000 was 5.1%. This bond was secured by a standby letter of credit.

The aggregate amounts of the long-term debt scheduled to mature in each of the years ended December 31 are as follows: 2001--$296,106; 2002--$312,241; 2003--$329,258; 2004--$356,935; 2005--$191,205; 2006--$1,570,244; and 2007 and thereafter--$1,102,629. Interest expense on long-term debt was $580,125, $653,297 and $528,824 for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTE 5--CAPITAL STOCK TRANSACTIONS

During the years ended December 31, 2000 and 1999, the Company received 19,925 and 49,235 shares, respectively, of Class A Common Stock in connection with the exercise of stock options. The value of these shares was recorded at $192,500 and $498,500, respectively. During the year ended December 31, 2000, the Company purchased 3,025 shares of its Class A Common Stock at a cost of $19,073.

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 6--STOCK OPTIONS AND WARRANTS

The Company has an 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 Class A Common Stock on the date the option is granted. Options granted to any 10% stockholder 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 Class A Common Stock on the date the option is granted.

The Company applies the Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB Opinion 25"), and related interpretations in accounting for the 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 of Financial Accounting Standards No. 123 ("SFAS 123"), "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 Plan had been determined in accordance with the fair value method prescribed by SFAS 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 2000, 1999 and 1998, respectively: no dividends paid for any of these years; expected volatility of 39.0%, 33.9% and 35.2%; risk-free interest rates of 6.1%, 5.1% and 5.5%; and expected lives of 10.0 years, 10.0 years and 9.7 years.

The weighted-average fair values of options for which the exercise price equaled the market price on the grant date were $5.41 in 2000, $4.97 in 1999 and $4.53 in 1998. The weighted-average fair value of options for which the exercise price exceeded the market price on the grant date was $2.89 in 1998.

Under the provisions of SFAS 123, the Company's income from continuing operations available to common shareholders and its basic and diluted earnings per share would have changed to the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Income from continuing operations available to common shareholders:			
As reported	$3,824,940	$4,545,505	$3,943,441
Pro forma	$3,818,145	$4,492,088	$3,485,588
Basic earnings per share:			
As reported	$ 1.07	$ 1.35	$ 1.23
Pro forma	$ 1.07	$ 1.33	$ 1.09
Diluted earnings per share:			
As reported	$ 1.04	$ 1.23	$ 1.07
Pro forma	$ 1.04	$ 1.21	$ .94

NOTE 6--STOCK OPTIONS AND WARRANTS (CONTINUED)

The following table contains information on stock options for the three years ended December 31, 2000:

	OPTION SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
		$	$
Outstanding, January 1, 1998	786,000	1.44 to 5.71	2.55
Granted	171,500	7.88 to 8.66	7.93
Exercised	(137,500)	1.50 to 1.94	1.67
Outstanding, December 31, 1998	820,000	1.44 to 8.66	3.82
Granted	17,000	8.94 to 9.00	8.96
Exercised	(265,600)	1.81 to 1.99	1.99
Outstanding, December 31, 1999	571,400	1.44 to 9.00	4.83
Granted	2,000	8.75	8.75
Exercised	(172,700)	1.50 to 5.25	2.05
Expired	(4,400)	1.50 to 7.88	4.95
Outstanding, December 31, 2000	396,300	1.44 to 9.00	6.06

There were options available for issuance under the Plan as of December 31 of each year as follows: 1998--377,200; 1999--360,200; and 2000--358,200. All of the options outstanding at December 31, 2000 were issued under the Plan. During the year ended December 31, 2000, 117,700 options issued under a previous plan were exercised and 1,400 options issued under the same plan expired.

NOTE 6--STOCK OPTIONS AND WARRANTS (CONTINUED)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000:

RANGE OF EXERCISE PRICES	OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$5.71	35,000	1.4	5.71	35,000	5.71
5.71	35,000	1.4	5.71	--	--
8.66	11,500	2.2	8.66	--	--
1.44	15,000	2.6	1.44	15,000	1.44
1.94	48,000	4.0	1.94	48,000	1.94
3.75 to 5.25	74,300	6.2	4.98	74,300	4.98
7.88	158,500	7.2	7.88	158,500	7.88
8.94 to 9.00	17,000	8.2	8.96	17,000	8.96
8.75	2,000	9.3	8.75	2,000	8.75
1.44 to 9.00	396,300	5.3	6.06	349,800	6.01

NOTE 7--TAXES ON INCOME

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Current:			
Federal	$1,929,000	$2,262,000	$2,476,000
State and local	164,000	204,000	202,000
Total current	2,093,000	2,466,000	2,678,000
Deferred:			
Federal	159,000	170,000	(90,000)
State and local	12,000	16,000	(5,000)
Total deferred	171,000	186,000	(95,000)
Total taxes on income	$2,264,000	$2,652,000	$2,583,000

NOTE 7--TAXES ON INCOME (CONTINUED)

Deferred tax assets (liabilities) consist of:

	DECEMBER 31,	
	2000	1999

Current deferred tax assets:		
Bad debt reserves	$ 187,000	$ 145,000
Warranty and other reserves	341,000	387,000
	$ 528,000	$ 532,000
Non-current deferred tax liabilities:		
Depreciation	($747,000)	($635,000)
Goodwill	(122,000)	(67,000)
	($869,000)	($702,000)

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,					
	2000		1999		1998	
	$	%	$	%	$	%
Federal income taxes computed at statutory rates	2,070,000	34.0	2,447,000	34.0	2,219,000	34.0
Increase in taxes resulting from:						
State and local taxes, net of Federal tax benefit	108,000	1.8	135,000	1.9	128,000	2.0
Expenses not deductible for tax purposes	100,000	1.6	110,000	1.5	97,000	1.5
Other	(14,000)	(.2)	(40,000)	(.6)	139,000	2.1
Taxes on income	2,264,000	37.2	2,652,000	36.8	2,583,000	39.6

NOTE 8--ACQUISITION

On September 16, 1998, the Company acquired certain assets, including cash totalling $215,315, and assumed certain liabilities of Green Manufacturing, Inc., a manufacturer of custom-engineered hydraulic cylinders, prefabricated stairways and platforms and tractor-mounted post hole diggers. The purchase price for the acquisition was $10,500,000 in cash, $10,000,000 of which was provided by an acquisition loan made pursuant to the Company's credit agreement and $500,000 of which was provided by working capital funds.

As part of the acquisition, the Company assumed $1,095,000 of outstanding Economic Development Revenue Bonds issued by Wood County, Ohio and $1,260,000 in short-term borrowings from a bank.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the accompanying consolidated financial statements include the results of operations of the acquired company only from the date of acquisition. The excess of acquisition costs over the fair value of net assets acquired is included in the accompanying balance sheets as "Goodwill". Also included in "Goodwill" are costs totalling $448,163 incurred in connection with the acquisition.

NOTE 9--COMMITMENTS AND CONTINGENCIES

(a) The Company and two of 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 $332,000, $312,000 and $278,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

In conjunction with the acquisition of Green, the Company acquired a defined contribution 401(k) plan, which covers all of Green's employees. Employer contributions to this plan were determined as a percentage of employee contributions. The amounts recognized as expense for this plan were approximately $82,000 for the year ended December 31, 2000, $62,000 for the year ended December 31, 1999 and approximately $26,000 for the period from the date of acquisition to December 31, 1998.

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 the funds and does not have any control over the funds. The amounts recognized as pension expense for this plan were approximately $35,000, $32,000 and $29,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

(b) The Company has an employment agreement with an officer. This agreement currently provides for a minimum annual aggregate salary of $675,000 through February 2004. This agreement provides that if a change in control of the Company occurs and, as a result, the officer is terminated or is unable to exercise his functions and duties and therefore resigns, he 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.

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

(d) Green purchases significant amounts of raw materials from one supplier. Other sources are available, however, and the Company believes that the loss of this supplier would not cause any disruption in the flow of products or have an adverse effect on operating results.

NOTE 10--SEGMENTS OF BUSINESS

The Company currently operates four business segments: pneumatic tools and related equipment, hydraulic cylinders, heating equipment and hardware. The accounting policies of each of the segments are the same as those described in Note 1. The Company evaluates segment performance based on operating income.

NOTE 10--SEGMENTS OF BUSINESS (CONTINUED)

The following presents financial information by segment for the years ended December 31, 2000, 1999 and 1998. 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.

2000	CONSOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HYDRAULIC CYLINDERS	HEATING EQUIPMENT	HARDWARE
	(IN THOUSANDS)				
Revenues from external customers..........	$80,899	$44,872	$20,220	$10,257	$5,550
Operating income..........................	$10,427	$ 8,252	$ 929	$ 1,059	$ 187
General corporate expense.................	(2,947)				
Interest expense..........................	(1,391)				
Income before taxes on income.............	$ 6,089				
Identifiable assets at December 31, 2000..................................	$52,659	$30,481	$14,985	$ 5,058	$2,135
Corporate assets..........................	1,494				
Total assets at December 31, 2000.........	$54,153				

	CONSOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HYDRAULIC CYLINDERS	HEATING EQUIPMENT	HARDWARE
Depreciation and amortization (including $15 corporate)..........................	$ 1,360	$ 479	$ 584	$ 242	$ 40
Amortization of goodwill and other intangibles.............................	$ 342	$ 96	$ 240	$ 6	$ --
Capital expenditures (including $1 corporate)..............................	$ 1,148	$ 216	$ 271	$ 660	$ --

NOTE 10--SEGMENTS OF BUSINESS (CONTINUED)

1999	CONSOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HYDRAULIC CYLINDERS	HEATING EQUIPMENT	HARDWARE
		(IN THOUSANDS)			
Revenues from external customers..........	$82,700	$46,708	$20,612	$ 9,843	$5,537
Operating income..........................	$11,736	$ 9,304	$ 1,208	$ 718	$ 506
General corporate expense.................	(3,149)				
Interest expense..........................	(1,389)				
Income before taxes on income............	$ 7,198				
Identifiable assets at December 31, 2000...................................	$52,066	$31,127	$14,563	$ 4,031	$2,345
Corporate assets..........................	2,174				
Total assets at December 31, 2000.........	$54,240				
Depreciation and amortization (including $13 corporate)..........................	$ 1,241	$ 440	$ 528	$ 230	$ 30
Amortization of goodwill and other intangibles.............................	$ 355	$ 109	$ 240	$ 6	$ --
Capital expenditures (including $7 corporate)..............................	$ 1,647	$ 867	$ 773	$ --	$ --

1998	CONSOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HYDRAULIC CYLINDERS	HEATING EQUIPMENT	HARDWARE
		(IN THOUSANDS)			
Revenues from external customers..........	$58,166	$37,806	$ 6,585	$ 9,424	$4,351
Operating income..........................	$ 9,770	$ 8,410	$ 417	$ 471	$ 472
General corporate expense.................	(2,472)				
Interest expense..........................	(772)				
Income before taxes on income............	$ 6,526				
Identifiable assets at December 31, 1998...................................	$44,342	$22,672	$14,225	$ 5,013	$2,432
Corporate assets..........................	3,736				

Total assets at December 31, 1998	$48,078				
Depreciation and amortization (including $7 corporate)	$ 795	$ 419	$ 111	$ 238	$ 20
Amortization of goodwill and other intangibles	$ 184	$ 112	$ 66	$ 6	$ --
Capital expenditures (including $29 corporate)	$ 1,416	$ 383	$ 397	$ 607	$ --

The pneumatic tools segment has two customers that accounted for 23.4%, 24.7% and 35.7%, and 7.4%, 7.7% and 10.1%, respectively, of consolidated revenues for the years ended December 31, 2000, 1999 and 1998, respectively. These two customers also accounted for 30.6% and 37.6% of consolidated

accounts receivable as of December 31, 2000 and 1999, respectively. A third customer, a customer of both the pneumatic tools segment and the hardware segment, accounted for 14.0%, 10.1% and 0.5% of consolidated revenues for the years ended December 31, 2000, 1999 and 1998, respectively, and 15.7% and 13.2% of consolidated accounts receivable as of December 31, 2000 and 1999, respectively. There were no other major customers requiring disclosure.

NOTE 11--UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

Unaudited interim consolidated financial information for the two years ended December 31, 2000 and 1999 is summarized as follows:

	QUARTER ENDED			
2000	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
Revenues	$20,796,956	$18,963,739	$21,844,757	$19,293,222
Gross profit	6,394,584	6,287,998	6,205,423	5,791,677
Net income	1,077,007	1,009,669	959,817	778,447
Earnings per share of common stock:				
Basic	.31	.28	.27	.22
Diluted	.29	.27	.26	.21
1999				
Revenues	18,108,268	17,092,157	20,358,379	27,141,636
Gross profit	5,562,207	5,433,028	6,330,645	8,205,714
Net income	961,407	754,024	1,233,942	1,596,132
Earnings per share of common stock:				
Basic	.30	.23	.35	.46
Diluted	.26	.20	.33	.44

During the fourth quarter of 2000, the Company recorded net adjustments decreasing its net income by approximately $265,000, relating to adjustments to reserves for bad debts, inventory and insurance.

NOTE 12--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,		
	2000	1999	1998
Numerator:			
Numerator for basic and diluted earnings per common share--net income	$3,824,940	$4,545,505	$3,943,441
Denominator:			
Denominator for basic earnings per share--weighted average common shares outstanding	3,560,786	3,370,098	3,208,181
Effect of dilutive securities:			
Common stock options	125,545	334,535	481,782
Denominator for diluted earnings per share--adjusted weighted average common shares and assumed conversions	3,686,331	3,704,633	3,689,963
Basic earnings per common share	$ 1.07	$ 1.35	$ 1.23
Diluted earnings per common share	$ 1.04	$ 1.23	$ 1.07

There were outstanding during the years ended December 31, 2000, 1999 and 1998 stock options whose exercise prices were lower than the average market values for the respective periods. These options are anti-dilutive and are excluded from the computation of earnings per share. The weighted average anti-dilutive options outstanding for the years ended December 31, 2000, 1999 and 1998 were as follows: 2000--150,500; 1999--51,375; and 1998--45,750.

NOTE 13--SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Interest	$1,425,189	$1,400,165	$ 673,814
Income taxes	$2,426,470	$2,414,890	$2,539,601

During the years ended December 31, 2000 and 1999, the Company received 19,925 and 49,235 shares, respectively, of Class A Common Stock in connection with the exercise of stock options. The value of these shares was recorded at $192,500 and $498,500, respectively.

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 2001 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.

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, 2000, 1999 and 1998 is filed as part of this report:	
Schedule II--Valuation and Qualifying Accounts	33
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.	
(3) The following exhibits are filed as part of this report: See "Exhibit Index" immediately following the signature page.	35-36
(b) Reports on Form 8-K.	
No reports on Form 8-K were filed by the Registrant during the quarter ended December 31, 2000.	

P & F INDUSTRIES, INC. AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		ADDITIONS			
	CHARGED	CHARGED			

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	TO COSTS AND EXPENSES	(CREDITED) TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
Year ended December 31, 2000:					
Allowance for possible losses................	$767,456	$221,004	($ 264,743)(a)	$227,148(b)	$496,569
Year ended December 31, 1999:					
Allowance for possible losses................	$498,669	$339,743	$ --	$ 70,956(b)	$767,456
Year ended December 31, 1998:					
Allowance for possible losses................	$421,014	$18,776	$ 177,517(c)	$118,638(b)	$498,669

(a) Reclassification

(b) Write-off of expenses against reserve.

(c) Amount received as part of purchase of net assets of Green Manufacturing, Inc.

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 Executive Officer

By: /s/ JOSEPH A. MOLINO, JR.
Joseph A. Molino, Jr.
Vice President
Principal Financial and
Accounting Officer

Date: March 19, 2001

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.

NAME	TITLE	DATE
/s/ ROBERT L. DUBOFSKY Robert L. Dubofsky	Director	
/s/ ALAN GOLDBERG Alan Goldberg	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
/s/ NEIL NOVIKOFF --- Neil Novikoff	Director
/s/ ROBERT M. STEINBERG --- Robert M. Steinberg	Director
/s/ MARC A. UTAY --- Marc A. Utay	Director

Date: March 19, 2001

EXHIBIT INDEX

EXHIBIT NO.	
2.1	Asset Purchase Agreement, dated as of September 16, 1998, by and between Green Manufacturing, Inc., an Ohio corporation, and the Registrant (Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated September 16, 1998). Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally a copy of any exhibit or schedule omitted from the Asset Purchase Agreement to the Commission upon request.
3.1	Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
3.2	Amended By-laws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).
4.1	Rights Agreement, dated as of August 23, 1994, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated August 24, 1994).
4.2	Amendment to Rights Agreement, dated as of April 11, 1997, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated April 11, 1997).
4.3	Credit Agreement, dated as of July 23, 1998, by and among the Registrant, Florida Pneumatic Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K/ A for the fiscal year ended December 31, 1998).
4.4	Amendment No. 1 to Credit Agreement, dated as of September 16, 1998, by and among the Registrant, Florida Pneumatic Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, Green Manufacturing, Inc., a Delaware corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).
4.5	Amendment No. 2 to Credit Agreement, dated as of July 28, 1999, by and among the Registrant, Florida Pneumatic

	Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, Green Manufacturing, Inc., a Delaware corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).
4.6	Amendment No. 3 to Credit Agreement, dated as of July 26, 2000, by and among the Registrant, Florida Pneumatic Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, Green Manufacturing, Inc., a Delaware corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000).

EXHIBIT NO.	
4.7	Certain instruments defining the rights of holders of the long-term debt securities of the Registrant are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Registrant agrees to furnish supplementally copies of these instruments to the Commission upon request.
10.1	Amended and Restated Employment Agreement, dated as of May 28, 1997, between the Registrant and Richard A. Horowitz (Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).
10.2	Consulting Agreement, effective as of November 1, 2000, between the Registrant and Sidney Horowitz (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
10.3	1992 Incentive Stock Option Plan of the Registrant, as amended and restated as of March 13, 1997 (Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).
21	Subsidiaries of the Registrant.
23	Consent of the Registrant's Independent Certified Public Accountants.

EXHIBIT 21

P & F INDUSTRIES, INC.

Subsidiaries of the Registrant

Embassy Industries, Inc., a New York Corporation

d/b/a Embassy Industries, Inc.
Franklin Manufacturing Corporation

Florida Pneumatic Manufacturing Corporation, a Florida Corporation

d/b/a Florida Pneumatic Manufacturing Corporation
Universal Tool
Fuji Air Tools
Pipemaster
Berkley Tool

Green Manufacturing, Inc. a Delaware Corporation

d/b/a Green Manufacturing, Inc.

EXHIBIT 23

P & F INDUSTRIES, INC.
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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 8, 2001, relating to the consolidated financial statements and schedule of P & F Industries, Inc. and subsidiaries appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

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

New York, New York

March 19, 2001