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LA VERDAD NOS HARÁ LIBRES

“Los inicios de la industria alternativa del Transporte: Zero Air Pollution (ZAP).”

ESTUDIO DE CASO

Que para obtener el grado de

MAESTRO EN ADMINISTRACIÓN

Presenta:

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INTRODUCCIÓN.

Desde finales de los años noventas hasta nuestros días, la creciente preocupación ambiental a nivel mundial, ha favorecido el surgimiento de nuevos mercados en todos los sectores productivos.

Desde la industria de la construcción, hasta los sectores más industrializados, demandan nuevas soluciones "verdes" que disminuyan o eliminen el impacto ambiental de la actividad humana.

Estos nuevos mercados se presentan como majestuosas áreas de oportunidad, prometiendo grandes retornos sobre la inversión y excesivas expectativas de éxito, basadas todas en la aparente relevancia que el tema ambiental ha tomado dentro del colectivo social

Sin embargo la realidad de estos mercados durante los últimos diez años se ha manifestado de forma muy distinta, ya que son muy pocas la empresas que han incursionado en ellos y han logrado mantener su viabilidad económica y en un número aun menor lograr generar las ganancias abrumadoras que se auguran.

El hecho es que estos nuevos nichos de mercado presentan grandes dificultades y son innumerables las empresas que han fallecido en el intento de abrirse camino hacia ellos, incluso los gigantes de la industria automotriz se han mostrado cautelosos y ninguno ha corrido el riesgo de buscar penetrar en estos mercados de forma contundente.

Es en ese contexto donde el presente trabajo se desarrolla, fines del año 2000, "Zero Air Pollution" (ZAP), fundada en 1994, 6 años de constante y acelerado crecimiento, se enfrenta a un punto clave en su desarrollo como empresa, establecer claramente su estrategia para lo próximos años, la cual, pueden representar la consolidación dentro de un nuevo mercado o llevar a la empresa al fracaso y hundimiento financiero.

Como se explica en el capítulo I, Marco Teórico, el presente trabajo parte del "método" de Estudio de caso, de la escuela de Negocios de Harvard, retomando sus principales lineamientos:

- Establecer la situación.
- Cuestionar.
- Generar hipótesis o alternativas.
- Demostrar la valides de la solución o soluciones propuestas.

Estos cuatro temas, se desarrollan con el apoyo de varias herramientas administrativas como son el análisis financiero, el análisis de mercado y el análisis de fortalezas, oportunidades, debilidades y amenazas (FODA), los cuales se describen a lo largo del mismo capitulo I.

Como punto de partida, en el capitulo 2 se estable la situación de la empresa y del mercado de vehículos eléctricos donde esta se desarrolla.

Dicho panorama se construye a partir de la información presentada en el Caso “Zap y la industria del Vehículo eléctrico”, objeto de estudio del presente trabajo (Caso fuente), y se amplía con datos obtenidos directamente de los estados financieros de la empresa.

De forma general se desarrolla la síntesis de hechos relevantes que conformaron la evolución del negocio, desde su fundación en el año 1994 hasta finales del año 2000, destacándose aspectos como el establecimiento de canales comerciales y de distribución, el desarrollo de proyectos y de productos, la firma de convenios con organismos y empresas, las adquisiciones comerciales y el crecimiento de la empresa sobre todo en su infraestructura y recursos humanos.

Por otra parte se enmarca el mercado de vehículos eléctricos, desarrollando aspectos importantes como su conformación, sectores, participantes, influencias e intervenciones por parte del sector automotriz, y sobre todo las expectativas y proyecciones de crecimiento que se tenían a fines del año 2000.

Establecido el panorama general de la empresa y su mercado se inicia el análisis o cuestionamiento de las condiciones en que se encuentra la empresa.

Para esto se comienza analizando los estados financieros principales (Balance General y Estado de resultado) de los últimos 5 años, desarrollando su análisis vertical y horizontal (análisis de tamaño común) complementado con la determinación de razones financieras y el análisis horizontal de las mismas.

Estos análisis permiten comenzar a establecer cuestionamientos focalizados en aspectos particulares del negocio como: el manejo de los activos, inventarios, políticas de financiamiento, control de las operaciones y administración, y de forma muy importante surgen cuestionamiento sobre la viabilidad económica del negocio en el corto plazo.

Posterior al análisis de situación de la empresa, se continúa con el análisis de situación del mercado, con el fin de determinar el tamaño, valor y condiciones del mismo.

Para ello se realiza la evaluación de factores del entorno que podrían ser favorables o adversos para el desarrollo del segmento, para después continuar evaluando las proyecciones que se presentan en el Caso fuente, buscando determinar los sectores del mercado de vehículos eléctricos que ofrecerán el mayor valor y crecimiento en el corto y largo plazo, así como las ventajas y desventajas de cada sector.

Paralelo a los cuestionamientos del mercado en general, se analiza de forma particular la posición de ZAP en su principal segmento de mercado, determinando no sólo su posición en dicho segmento sino el nivel de penetración que tiene en el sector así como el número de unidades vendidas que representa dicho nivel de penetración.

Por último se elabora un pequeño análisis del comportamiento de ZAP dentro del mercado accionario, con el fin de poder evaluar las condiciones de valoración que dicho mercado tiene sobre la empresa y con ello determinar el nivel de atracción y confianza que la empresa tiene para los inversionistas de capital.

Concluida la etapa de cuestionamiento se realiza una evaluación global por medio del Análisis FODA, con el fin de poder determinar las principales ventajas, problemáticas y áreas de oportunidad que la empresa tiene para poder continuar con sus operaciones.

Los resultados de dicho análisis y los cuestionamientos planteados en el caso fuente, permiten a continuación, comenzar a generar alternativas de acciones a seguir, las cuales serán las bases para el establecimiento de una hipótesis final donde se establecen cuatro líneas estratégicas que la empresa deberá seguir con el fin de continuar su evolución y crecimiento.

Las cuatro líneas derivadas del planteamiento de alternativas son:

1. Equilibrar la proporción de gastos de operación y costos de venta vs los ingresos obtenidos por concepto de ventas.

2. Eficientizar tanto la producción como la administración del negocio, principalmente mejorando el control de inventarios y la administración de pagos y cobros del negocio.

3. Establecer la estructura financiera del negocio de forma estable y con una visión a largo plazo.

4. Continuar con la investigación y desarrollo de nuevos productos que actualicen o sustituyan a los actuales en un tiempo no mayor a dos años.

Estás líneas de acción permiten llegar a comprobación de la hipótesis propuesta, la cual se realiza por medio de la aplicación de las mismas a la proyección a cinco años de los estados financieros de la empresa, buscando no sólo comprobar el efecto que tendrá la aplicación de dicha hipótesis en el funcionamiento del negocio, sino que se busca establecer los indicadores numéricos que permitirán establecer dichas líneas de acción como objetivos estratégicos medibles y evaluables.

Por ultimo se realiza la validación de la propuesta, elaborando un comparativo entre los resultados obtenidos por la ZAP desde el año 2001 al 2011 y los resultados obtenidos en la proyección de la alternativa propuesta.

Este comparativo permite establecer de forma clara las diferencias que la empresa encontró a lo largo de los últimos 10 años contra el panorama que probablemente se hubiese construido de haber tomado líneas de acción similares a las propuestas en el presente estudio.

1. MARCO TEÓRICO.

a. Estudio de caso.

El estudio o análisis de caso es una herramienta pedagógica y de investigación ampliamente utilizada por las disciplinas sociales, como la Antropología, Sociología, Derecho, Etnografía y la Psicología por citar algunos ejemplos.

Algunos autores como Howard S. Becker sitúan sus orígenes en las historias clínicas elaboradas en el modelo médico, mientras que Jennifer Platt considera que su origen histórico se encuentra en los "Casos de Trabajo" elaborados por los trabajadores sociales de Estados Unidos de América a finales del siglo XIX.

Dentro del área de la Administración de Empresas, si bien no puede determinarse con claridad a partir de qué momento se comenzó a utilizar esta herramienta, se puede decir que el origen de su gran difusión de uso dentro de la disciplina puede localizarse en la Escuela de Negocios de Harvard, justo en el momento de creación de la misma a principios del siglo XX.

Imagen 1

En aquella época, las líneas tradicionales de Educación superior no contemplaban a la Administración de Negocios como un área digna de estudio, por lo que no existía ningún tipo de sustento teórico, conceptos, ni materiales didácticos que permitieran la creación de un plan de estudios que se ajustara a los a los cánones educativos de la época, la única argumentación con la que contaban los encargados de la escuela, era que los alumnos deberían enfrentarse a una educación de orientación de carácter práctico y profesional.

Esta orientación práctica y profesional fue la que llevó a Dean Gay (Decano de la escuela) a tomar la decisión de que la mayoría de los cursos deberían basarse en el método de estudio de caso, haciendo énfasis en la discusión en clase a partir de lecturas y reportes de análisis de las mismas.

Es a partir de ahí que la Escuela de Negocios de Harvard inició un largo camino en el desarrollo de la herramienta del Estudio de Caso, la cual hoy en día no se limita a los simples reportes que empresarios y profesores elaboraban para la impartición de clase, sino que se ha consolidado como una herramienta de análisis e investigación aplicada a la solución de problemáticas complejas, donde el número y características de las variables así como sus interrelaciones hacen que otros métodos no sean aplicables.

"Nuestros casos tienen algo en común con la ficción y el periodismo, pero son en realidad un genero en sí mismos"[1]

En general un Caso de estudio es un texto que carece de explicación en sí mismo, es por ello que es importante identificar varios factores contextuales que permiten establecer los límites de solución al mismo.

El primer factor que se puede identificar es el tipo de situación que plantea el caso, comúnmente, las situaciones presentadas en los estudios de caso, pueden ser agrupadas dentro de cuatro categorías muy amplias:

1. Problemas.
   Aquellos casos en los que ha sucedido algo importante, pero no se conocen las causas que llevaron a dicho resultado.

2. Decisiones.
   Son los casos que se construyen alrededor de la necesidad de tomar una decisión específica.

3. Evaluaciones.
   Son los que permiten realizar una evaluación sobre un conjunto de acontecimientos y resultados en un entorno específico.

4. Reglas.
   Requieren que se determine la regla o conjunto de reglas que deben aplicarse en un momento y situación específicos.

La identificación de la situación del caso permite establecer un punto de partida para el análisis, ya que delimita hasta cierto punto el tipo de solución que se pretende obtener.

[1] "Teaching and the Case Method". Barnes, Louis B. 1994 – 3ra edición. p71.

Por otra parte, no existe un método específico que permita llegar a la solución u obtención de respuestas en un estudio de caso. Esto debido a que cada caso requerirá de diversas teorías, marcos de análisis, procesos y ejercicios acordes al contexto del mismo.

Sin embargo, varios autores coinciden en cinco pasos, que permiten estructurar la información de una forma coherente y por lo tanto llegar a una serie de soluciones mejor fundamentadas y sólidas. Estos pasos son:

a. Establecer la situación.
   Definir de forma ordenada los hechos que conforman la situación global del caso en cuestión. En esta etapa se bebe omitir generar algún tipo de juicio u opinión, se debe exclusivamente buscar crear un marco referencial de los sucesos.

b. Cuestionamientos.
   Elaborar los cuestionamientos básicos que permitan construir la solución del caso. Esta etapa debe caracterizarse por la elaboración de un juicio, a partir del cual se comenzarán a desprender las posibles soluciones.

c. Hipótesis ó soluciones alternativas.
   Establecer una o varias soluciones que desde el punto de vista personal, contribuyen a solucionar la problemática del caso.

d. Demostración.
   Buscar y presentar la información que permita respaldar que la solución o soluciones elegidas realmente son una alternativa a la problemática establecida en el caso.

e. Alternativas.
   El último paso consiste en plantear el cuestionamiento sobre sí la solución o soluciones presentadas son la mejor opción o no, para lo cual se deben encontrar las debilidades más relevantes de la solución o soluciones propuestas.

b. El Análisis financiero.

El análisis financiero es un amplio conjunto de herramientas que permite a los directivos de una empresa, inversionistas, prestamistas, clientes y gobierno, construir una imagen generalizada de aspectos importantes del negocio, aspectos que no sólo contemplan el manejo monetario o financiero, sino que incluyen elementos importantes referentes al manejo de las operaciones, administración de recursos, crecimiento y eficiencia de la empresa, permitiendo a los directivos contar con la información necesaria para la toma de decisiones estratégicas.

La técnicas existentes para la elaboración de este análisis son muy variadas y dependen altamente del objetivo de la información que se pretende obtener, incluso, algunas técnicas presentas pequeñas variaciones dependiendo del autor que las propone, dependiendo del juicio que cada uno de ellos establece sobre si un dato es relevante o no para la obtención de los datos.

Sin embargo, la mayoría de los autores coinciden en que el análisis del Balance general y Estado de resultados de la empresa, son el paso inicial para la elaboración del diagnostico general de la empresa, al mismo tiempo que establecen una clasificación elemental basada en los rangos de tiempo que se consideran para la realización del análisis.

Tipos de análisis financiero.

La principal consideración que se debe tener al momento de realizar el análisis financiero de una empresa, es considerar la finalidad de realizar dicho análisis, esto debido a que la finalidad permitirá definir el tipo de análisis que se deberá de realizar:

- Análisis Vertical: La información analizada y generada se centra en un periodo de tiempo específico, comúnmente de 1 año, lo que permite elaborar la evaluación del comportamiento general de la empresa a lo largo de dicho periodo de tiempo.

- Análisis Horizontal: La información que se analiza y nos brinda permite comparar la evolución del comportamiento del negocio a lo largo de varios periodos de tiempo específico, lo que permite evaluar el desarrollo ó evolución de la empresa a lo largo del conjunto de periodos determinados para el análisis.

Ambos tipos de análisis no son excluyentes el uno del otro, de hecho es común que se utilicen de forma simultánea, sobre todo cuando el análisis tiene por objetivo revisar la evolución de las operaciones de la empresa a lo largo de un periodo de tiempo determinado.

Razones Financieras.

Para cualquiera de los dos tipos de análisis, un recurso altamente utilizado, es el análisis por medio de razones financieras, las cuales permiten obtener información sobre cinco aspectos básicos del negocio:

- Liquidez: Generan información que permite determinar la capacidad del negocio para el pago de sus pasivos en el corto plazo.

- Operación: Generan información que permite evaluar las operaciones productivas de la empresa.

- Endeudamiento: Generan información que permite determinar el nivel de deuda de la empresa así como sus fuentes.

- Eficiencia: Generan información que permite evaluar la forma en que la empresa transforma sus recursos en valor para sus accionistas.

- Rentabilidad: Generan información que permite determinar el nivel de valor que la empresa genera para sus accionistas.

El análisis de estos 5 aspectos es lo que permite generar una imagen de la situación general de toda la empresa, permitiendo a sus directivos contar con la información pertinente para tomar decisiones relevantes sobre la misma.

Análisis del Tamaño Común.

Otra técnica importante para el análisis de estados financieros, es el análisis de tamaño común o porcentual, la cual se basa en dividir los datos del Balance General y Estado de resultados entre el activo total y las ventas netas respectivamente.

Esta técnica permite evaluar los datos de ambos estados financieros en relación a porcentajes y no valores absolutos, lo que permite hacer un análisis comparativo más objetivo a lo largo del tiempo o versus otras empresas.

Ambas técnicas son constantemente consideradas por muchos autores como las 2 técnicas más fundamentales para el análisis financiero, sin embargo, no existe un consenso sobre la aplicación de ellas, esto debido a que cada autor destaca los puntos que considera más importantes y por ello los nombres, datos utilizados e incluso las formulas pueden diferir ligeramente de un autor a otro.

c. Análisis de Mercado.

Para la toma estratégica de decisiones de la empresa, el análisis del mercado es una de las actividades más importantes, debido a que la información que se obtiene a partir de él, permite que las estrategias de la empresa se ajusten de forma efectiva a las condiciones cambiantes y a los factores de costo que el mismo mercado establece.

La actividad del análisis del mercado puede tomar en cuenta una gran cantidad y complejidad de factores que son los que se entrelazan configurando las condiciones en que se encuentra el mercado al momento de realizar su análisis. Dichos factores son innumerables y su complejidad puede ser francamente aterradora.

Sin embargo, la mayoría de los autores coinciden en áreas, cuyas condiciones son las bases que estructuran el estado actual del mercado analizado y por lo tanto deben ser el punto de enfoque para el análisis, con el fin de que la información obtenida sea relevante al momento de establecer las estrategias que la organización seguirá con el fin de poder alcanzar sus objetivos.

Dichas áreas son:

Factores del entorno: Se refieren a factores generales que pueden influenciar la forma en que la organización o sus productos se desenvuelven en el mercado. Algunos de estos factores son: Conformación y crecimiento de la población, regulaciones gubernamentales vigentes y futuras, desarrollos tecnológicos relacionados, evolución de los estilos de vida de la población en general.

Factores del propio mercado: Establecer una estrategia organizacional para participar en un mercado específico, necesariamente requiere delinear claramente los parámetros del mismo, como son su tamaño, tasa de crecimiento, valor, etapa de desarrollo en que se encuentra, así como sus tendencias, riesgos y oportunidades.

Competencia: Es una de la áreas de mayor importancia, ya que se debe de conocer claramente la posición de los competidores en el mercados, sus estrategias y sus fortalezas y debilidades.

Autoanálisis: De la misma forma que es importante conocer la información referente a los competidores, lo es conocer la misma información con respeto a la propia organización.

d. Análisis de fortalezas, oportunidades, debilidades y amenazas. (FODA).

El análisis FODA es una de las herramientas más difundidas de evaluación, ya que ha demostrado tener un espectro de aplicación muy amplio, pudiéndose aplicar básicamente en cualquier objeto que pueda ser sujeto de análisis, productos, servicios, personas, procesos, procedimientos, organizaciones, planes estratégicos, todos pueden ser sometidos al análisis FODA.

Una de sus aplicaciones es la evaluación general de un negocio u organización, donde ha demostrado ser una forma muy efectiva para construir una descripción clara y resumida de lo que sucede tanto al interior como al exterior de la organización estudiada, generando información útil para el establecimiento de metas estratégicas y por lo tanto para la formulación del mismo plan estratégico.

La técnica consiste en determinar la situación de la empresa por medio de cuatro áreas de definición:

Fortalezas: Características que otorgan una ventaja a la empresa sobre otros.

Debilidades: Características en las cuales la empresa se encuentra en desventaja con relación a otras.

Oportunidades: Condiciones externas a la empresa que ofrecen la posibilidad de mejora para la empresa.

Amenazas: Condiciones externas a la empresa que representan un peligro o riesgo, que podría traer problemas a la empresa.

Estas cuatro áreas de definición a su vez delimitan los factores que pueden ser controlados por la empresa (factores internos) y factores sobre los que la empresa no tiene ningún control y por lo tanto deberá ajustarse a ellos así como a sus cambios (factores externos).

Imagen 2

2. ESTABLECIMIENTO DE LA SITUACIÓN.

a. Síntesis de desarrollo de la empresa

Nacimiento de la empresa.

1994:

El 23 de septiembre de 1994 James McGreen y Gary Starr fundan y constituyen la empresa ZAP Power Systems, al mismo tiempo que registran ante las autoridades de marcas, la marca ZAP.

En sus inicios la empresa comienza sus operaciones dedicándose exclusivamente al desarrollo de sistemas eléctricos de motricidad que pueden ser colocados en bicicletas o medios de transporte similares.

Durante este año de inicio la empresa se concentró en un proyecto para una empresa de Singapur: High Technology Development, el cual consistía en el desarrollo de una bicicleta eléctrica para el mercado de Tailandia, Singapur y Malasia.

Dicho proyecto fue bautizado con el nombre de “Proyecto Tailandia” y fue realizado en conjunto con la empresa Systronics.

1995:

Para mediados del año el “Proyecto Tailandia” fue concluido y entregado a High Technology Development.

Los ingresos logrados por la entrega de dicho proyecto fueron:
US$300,000.00 por concepto de desarrollo.
US$200,000.00 por concepto de licenciamiento para uso de la tecnología.

Este mismo año la empresa firmó un contrato de Investigación y Desarrollo con el Instituto de Investigación en Energía Eléctrica de la Comisión de Energía de California. El objetivo de la investigación era determinar el uso de dicha energía en el transporte.

Los ingresos generados por dicho proyecto fueron:
US$75,000.00 por concepto de investigación.

Por otro lado la empresa reportó ingresos por concepto de apoyo gubernamental por US$20,000.00

Al mismo tiempo la empresa comenzó el desarrollo de canales de distribución para sus productos, concentrándose en las ventas por catálogo y las ventas vía internet.

Para lo anterior firmó un contrato de ventas con Real Goods Trading Company, buscando asegurar su canal de distribución vía catálogo impreso.

Imagen 3

Las operaciones de la empresa se realizaban en una planta en Sebastopol California, con una extensión de 600m^2, la cual se rentaba por US$24,000.00 anuales.

Las ventas por catálogo.

1996:

Para este año la empresa ya había fijado su estrategia de ventas utilizando la difusión por catalogo y la distribución directa del producto apoyada con la venta directa a mayoristas.

Bajo esta línea, se firmaron contratos con The Sharper Image para las ventas vía catálogo y con Power Biking Inc. para las ventas directas a mayorista.

Imagen 4

El contrato con Power Biking Inc., permitía a ZAP tener acceso a puntos de venta localizados en distintas agencias de coches a nivel nacional.

La distribución de los productos se realizaba de la siguiente manera:

- Vía UPS y FedEx para las entregas directas dentro de Estados Unidos.
- Vía carga aérea o marítima para entregas directas fuera de Estados Unidos.
- Vía envío de carga (Common carrier) para la entrega a los mayoristas.

Por el momento no existía ninguna relación contractual con estos canales de distribución.

El esquema de producción de la empresa, se centraba en la elaboración del sistema de propulsión eléctrico, es decir:

El motor eléctrico se compraba a un distribuidor OEM.

Las pilas de almacenamiento de energía se compraban a otro proveedor y eran pilas estándar de computadora.

Todo los componentes del sistema electrónico eran estandarizados (ninguno era propio).

La integración de estos componentes constituía el Kit de propulsión eléctrico, el cual se vendía listo para colocarse en cualquier bicicleta, o podía venderse ya instalado en una bicicleta que la empresa compraba a un tercero.

El 13 de febrero de este año, la empresa registra su primera patente (#5,491,390), la cual protege el diseño de la integración de todos los componentes en el kit de propulsión eléctrico para bicicleta.

Este mismo año ZAP firmó un Joint Venture con Movity S.R.L. para la distribución de un scooter eléctrico de fabricación italiana dentro del mercado de Estados Unidos, al mismo tiempo que Movity podría vender productos ZAP en Europa. Dicho contrato representó una inversión de US$52,500.00

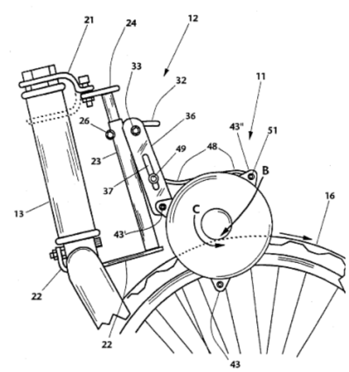


Imagen 5

El 29 de noviembre, ZAP deja de ser una empresa de inversión privada y se convierte en pública, con el ofrecimiento de cien mil acciones dentro del mercado, lo cual representó un incremento en el capital social de la empresa por US$574,500.00.

Las operaciones de la empresa se continuaron realizando en la planta de Sebastopol, cuyo costo de renta anual fue de US$52,800.00 anuales.

Para finales de este año la empresa contaba con treinta empleados de tiempo completo y cinco de medio tiempo.

1997:

ZAP continuó bajo el mismo esquema de ventas y distribución.

En enero de este año por medio de ZAP China, se firmó un acuerdo con Forever Company para venderle 5,000 motores. Forever montaría estos motores en sus propias bicicletas y las vendería en China.

En marzo, se firmó la intención de compra de los activos de Movity S.R.L, con quien el año anterior ZAP había acordado un Joint Venture.

El 30 de septiembre la empresa registró su 2da patente sobre el sistema de propulsión eléctrico para bicicleta. (#5,671,821).

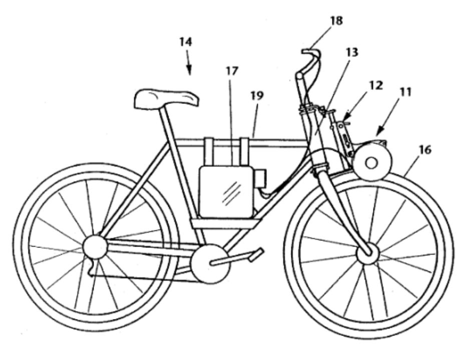


Imagen 6

La producción se incremento y se requirió aumentar las instalaciones originales, de los 600m^2 que se rentaban originalmente, a 870m^2. Cuyo costo anual de renta total fue de US$73,372.80

El personal también se incrementó a treinta y dos empleados de tiempo completo y seis de medio tiempo.

Ampliación de la gama de productos.

1998:

En este año la empresa integra a su línea de productos el scooter ZAPPY, cuyas piezas son maquiladas por subcontratistas y sólo se ensamblan en la planta de Sebastopol, California.

Imagen 7

También se integra a la línea de productos el scooter Electricycle, de fabricación china, y la motocicleta eléctrica, Lectra, los cuales son importados directo de sus fabricantes y distribuidos en E.U.A., gracias a la firma de contratos de concesión para su distribución dentro del territorio de Norteamérica.

Se firmó un contrato de compra con Smith & Wesson, para la adquisición de 250 bicicletas, a las que se les integraría el tren motriz eléctrico y serían vendidas a diversos cuerpos de policía. Dicho contrato otorgaba la distribución exclusiva de las bicicletas a ZAP, además de que le otorgaba un precio preferencial.

El 15 de septiembre, se registra la 3ra patente de la empresa, que respalda el diseño del Scooter ZAPPY. (#5,848,660).

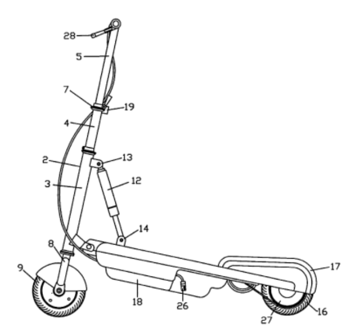


Imagen 8

Se continúa con la renta los 870m2 del conjunto de propiedades que conforman la planta, pagado US$79,372.80 anuales por dicho concepto.

El personal humano se ve incrementado sustancialmente hasta alcanzar los cuarenta y cinco empleados de tiempo completo y once de medio tiempo.

Para finales del año, ZAP demanda a uno de sus competidores, Ommni, debido a que dicha empresa producía la bicicleta llamada Eros, la cual copiaba en gran medida el diseño de ZAP, esta demanda ponía en riesgo que se revocara a ZAP, la patente que protegía el diseño del tren motriz eléctrico.

Las estrategias de comercialización, distribución continúa siendo por medio de las ventas por catalogo, WWW y mayoristas.

Ampliación del canal de distribución.

1999:

Durante este año ZAP continúa con la estrategia de ampliar su línea de productos, mantiene los Kits de tren motriz para bicicletas, las bicicletas eléctricas, el ZAPPY, la Lectra, el Electricycle, y añade a estos la línea Powerbike de montaña y el vehículo de barrio GEM, en el caso de ambos, únicamente se distribuyen y son fabricados por un tercero.

Imagen 9

Paralelo a lo anterior, se inicia la estrategia de expandir el canal de distribución, para lo cual se crean 2 empresas subsidiarias:

ZAPWORLD Stores, Inc. (Administradora de las tiendas propias)
ZAPWORLD Outlets, Inc. (Administradora de las tiendas bajo franquicia)

ZAPWORLD Stores, Inc. abre las dos primeras tiendas ZAP, una en San Francisco, California y otra en Key West, Florida.

La tienda de San Francisco, fue comprada a American Scooters and Retal, y la tienda de Florida fue comprada a Big Boy Bikes.

Se firman contratos a largo plazo con dos proveedores muy importantes:

- Smith & Wesson: Acuerdo de compra por 250 bicicletas para policía a cambio de la concesión de distribución exclusiva, al mismo tiempo que Smith & Wesson compraría 100kits de motor para instalar en otros modelos, a cambio de un precio especial.

- Evercel: Acuerdo de exclusividad de distribución de las pilas en algunos mercados específicos.

- Lucas Films: Licenciamiento de la Marca StarWars y Stap, para la categoría de Scooters Eléctricos.

El crecimiento tanto en infraestructura como en recursos humanos continúa, para lo cual se inicia la renta de nuevos inmuebles en el área de Sebastopol, llegando a un total de cinco inmuebles en dicha área sumando un total de 2670m^2.

A las propiedades anteriores, se les integra la tienda de San Francisco, la cual también es rentada y cuenta con un área de 740m^2.

El monto total anual, pagado por concepto de renta es de US$289,200.00.

Los recursos humanos de la empresa se incrementan a 78 empleados de tiempo completo.

En el transcurso del año se registraron las marcas Electricruizer y Powerbike.

Por último, para finales del año (30 de diciembre) se concluye la compra de la empresa emPower, la cual es dueña de 2 patentes:

Patines roller (#6,059,062).   Patineta eléctrica (#6,050,357).

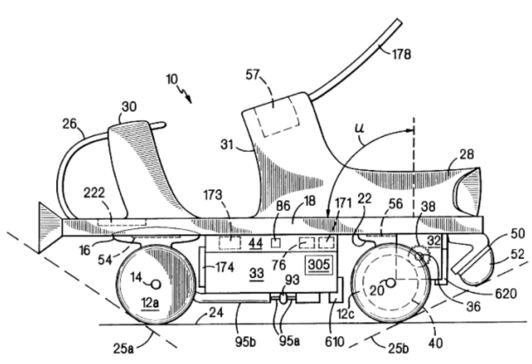


Imagen 10

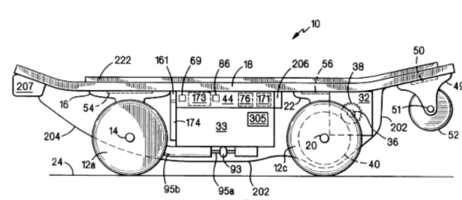


Imagen 11

2ª Ampliación de la gama de productos.

2000:

La entrada al milenio coincide con la ampliación de gama de productos más grande que ZAP haya tenido desde su creación.

Se continúan fabricando los kits de motores, las bicicletas eléctricas, el ZAPPY, la Powerbike y el GEM.

La motocicleta eléctrica Lectra comienza a ser fabricada por ZAP, gracias a la compra de Electric Motorbike Inc, (3er trimestre del año) que era la productora original de dicho producto.

El Electricycle chino se continúa distribuyendo, pero se inicia la distribución de tres nuevos productos, el Electric Pedi-Cab, el E-Kart y el Lepton, de origen Italiano.

Se lanzan al mercado dos nuevos productos derivados del ZAPPY, los cuales son fabricados bajo el mismo esquema: ZAPPY JR. y ZAPPY turbo.

Se incorporan además a la gama de productos el SWIMMY (Scooter acuático) y el POWERSKI (Sistema de esquí eléctrico), ambos debido a la adquisición de las empresas que originalmente los fabricaban: EV Systems (1er trimestre del año.) y APTech (2do trimestre del año).

En este año ZAP firma un acuerdo con Ningbo Topp Industrial Company Ltd. de China, para que esta empresa fabrique y distribuya productos ZAP en China, básicamente Ningbo compraría los componentes y pagaría regalías por la comercialización de los productos.

Además se renovó el acuerdo por 2 años con Smith and Wesson para la compra de bicicletas y con Lucas Films para el uso de la marca Star Wars y Stap en la categoría de scooters.

El contrato con Evercel se amplió, para contar con la exclusividad de distribución de dichas pilas en mercados muy específicos. Lo que permitió integrar dichos componentes a la motocicleta Lectra.

En mayo se firma un contrato con la Comisión de Energía de California, para la demostración de la eficiencia de los vehículos de barrio. ZAP compraría 7 vehículos de barrio que serían utilizados en el área de Sebastopol por empleados del gobierno de la localidad así como para desplazamiento de turistas y evaluación de un servicio de transporte.

Con la compra de Electric Vehicle Systems Inc. (EV Systems), ZAP adquiere la marca Power Ski así como 2 patentes (#5,735,361 y #5,313,373).

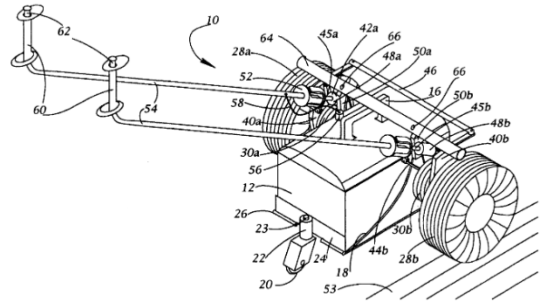


Imagen 12

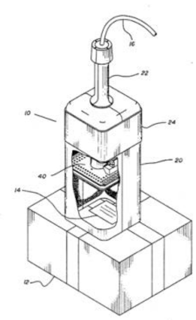


Imagen 13

Mientras que la compra de Aquatic Propulsion Technology Inc (APTech), ZAP adquiere la marca Sea Scooter y 5 patentes (3 de tecnología 2 de diseño).

- #5,303,666 (Navío sumergible).
- #5,423,278 (Navío sumergible).
- #5,634,423 (Vehículo personal sumergible marino).
- Des 347,418 (Diseño de scooter acuático)
- Des 359,022 (Diseño de scooter acuático)

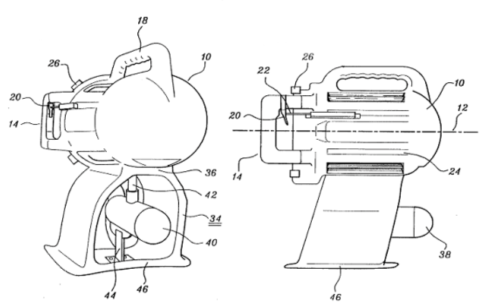


Imagen 14

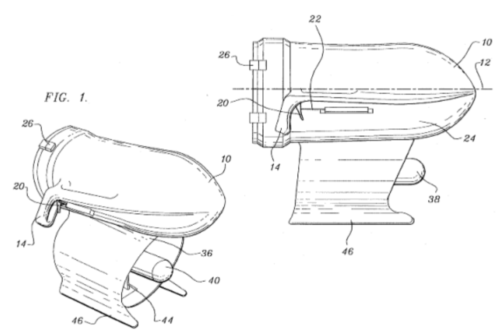


Imagen 15

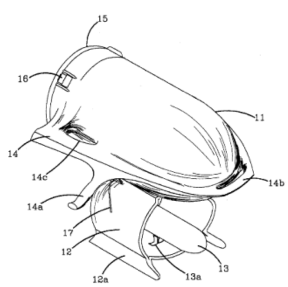


Imagen 16

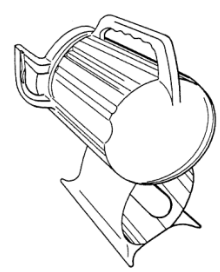


Imagen 17

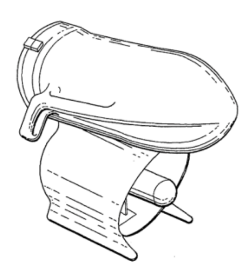


Imagen 18

El 14 de noviembre, ZAP registra el Diseño del ZAPPY y obtiene la patente de diseño Des No. 433,718.

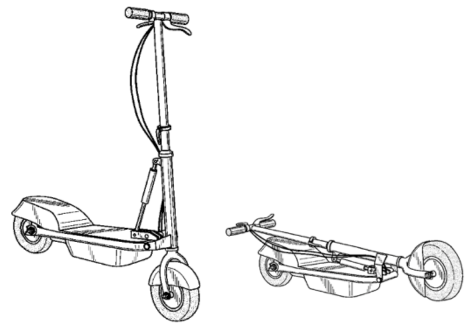


Imagen 19

Durante este año, se tuvieron ingresos por US$121,000.00 por el concepto de inversión en deuda.

Por otra parte se mantiene casi la totalidad de los inmuebles, a excepción de la tienda de la Florida que se vende, incluyendo los bienes que se habían adquirido con la compra de Big Boy Bikes el año anterior, pagando US$250,000.00 por concepto de renta.

Para este año la empresa alcanza una planta de trabajadores de 81 empleados de tiempo completo.

El crecimiento del mercado lleva a la empresa a concluir el año con un atraso de tiempo en la entrega de órdenes por un valor de US$787,700.00 (6.33% de las ventas netas)

El crecimiento de la competencia.

2001: (Inicios de año)

Ante el crecimiento de demanda y de competidores, ZAP incrementa para febrero de este año su línea de productos lanzando al mercado 2 nuevas versiones del ZAPPY:

ZAPPY Jr. ---------- Usuarios de corta edad (menor rendimiento)
ZAPPY Turbo ----- Usuarios buscando mayor rendimiento.

Al poco tiempo de este crecimiento en la gama de productos, un competidor lanza al mercado masivo nuevo monopatín, a un precio inferior a los US$200.00. Este lanzamiento se vio acompañado por una fuerte campaña publicitaria y el uso de Target y Toys “R” Us como canales de distribución.

Dicho lanzamiento obligó a ZAP a introducir al mercado una versión “light” del ZAPPY, llamada Scooter-X, con un precio dentro del rango de su competidor.

b. Situación del mercado:

Para el año 2000 las expectativas del mercado de VE eran altas, así como la promesa de tener tasas sostenidas de crecimiento.

El mercado global se dividía en 2 grandes grupos, atendidos por 2 tipos de fabricantes:

> Japón y ½ Europa – Atendido por los grandes fabricantes.
> Estados Unidos, Asia y ½ Europa – Atendido por fabricantes pequeños.

Estimado de volúmenes de ventas en unidades de biciclos 98 a 2000

	Japón	China	Europa	EUA	Total
1998	270,000	40,000	35,000	25,000	370,000
1999	200,000	200,000	40,000	25,000	465,000
2000	200,000	250,000	55,000	30,000	535,000

Fuente: Datos a partir de la ilustración 13 del caso, "ZAP y la industria del vehículo eléctrico".

Tabla 1

Estimado del valor de ventas de biciclos 98 a 2000

	Japón	China	Europa	EUA	Total
1998	$175,500,000	$12,000,000	$26,300,000	$17,500,000	$231,000,000
1999	$130,000,000	$60,000,000	$30,000,000	$17,500,000	$237,500,000
2000	$130,000,000	$75,000,000	$41,300,000	$21,000,000	$267,300,000

Fuente: Datos a partir de la ilustración 14 del caso, "ZAP y la industria del vehículo eléctrico".

Tabla 2

Las grandes expectativas de crecimiento, implicaron el incremento del nivel de competencia dentro del sector.

Nuevos actores entraron en juego:

Grandes empresas automotrices iniciaron su incursión en el mercado inducidas por su amplio potencial. La mayoría iniciaron este proceso presentando biciclos:

> Ford creó una empresa llamada Think Mobility.
> Mercedes Benz lanzó su propia bicicleta.

Imagen 20

Empresas de bicicletas tradicionales comenzaron a incluir versiones eléctricas dentro de sus líneas de productos:

Trek
Schwinn
Murray
Giant

Los 4 eran los mayores productores de bicicletas de propulsión tradicional a nivel mundial.

Imagen 21

Lo anterior derivado de que los mercados de bicicletas y monociclos de propulsión pedestre, comenzaban a dar síntomas de haber alcanzando su nivel de madurez y con ello mostraban un desaceleración e incluso comenzaban a presentar una contracción considerable.

Volumen de ventas de Bicicletas tradicionales en los EUA

	Bicicletas de rodada 20” o mayor
1990	10,800,000
1991	11,600,000
1992	11,600,000
1993	13,000,000
1994	12,500,000
1995	12,000,000
1996	10,900,000
1997	11,000,000
1998	11,100,000
1999	11,600,000
2000	11,900,000
1973	15,200,000 (record histórico)

Fuente: Datos a partir de la ilustración 9 del caso, “ZAP y la industria del vehículo eléctrico”.

Tabla 3

La generación de Baby Boomers ahora ya entrada en años, comenzaba a ya no contar con las facultades físicas para poder hacer esfuerzo físico o ejercicio, se visualizaba que los VE representarían una alternativa para poder mantener sus estilos de vida independientes así como sus hábitos y preferencias.

El incremento de los precios de la gasolina y las crisis de energéticas, generaban un ambiente de incertidumbre, sin embargo se esperaba que las presiones ambientales globales, alto precio del petróleo y los problemas de tráfico, fortalecieran al sector sobre todo en la gama de productos de corto alcance.

En el aspecto legal, comenzaban a surgir nuevos programas de gobierno que promovían el uso de VE, incrementando con ello la demanda.

Durante el año 2000, Peter Harrop, realizó un estudio donde describía las fuerzas de mercado que impulsarían al sector de VE durante la próxima década, destacando que no sólo el factor de regulación ambiental sería importante para el crecimiento del sector.

Dicho estudio dividía el mercado en 5 grandes ramos:

1. *Vehículos Industriales:*
El crecimiento de este ramo sería constante y sostenido para primera década del milenio derivado de la demanda por parte de la cadena productiva de una movilización más rápida de los productos, así como una necesidad de reducir los costos de operación generados por dichos traslados.

2. Vehículos de 2 ruedas (Bicicletas, monopatines, patines, etc):
El crecimiento de este ramo sería considerable, encontrando sus principales fuerzas en la moda, el rendimiento y en las leyes contra la contaminación.
Las zonas de mayor crecimiento se localizarían en Asia, donde se concentraban la mayor cantidad de Bicicletas y patines convencionales del mundo.
La severa competencia del sector provocaría la caída de los precios, pero el volumen del mercado sería más que una compensación. (En los últimos 3 años los precios se habían reducido un 50%).

3. Vehículos para minusválidos:
El crecimiento del ramo sería menos rápido que el de otros ramos, pero encontraría sus fortalezas en las compras de gobierno y compañías de gran tamaño, que buscarían integrar a su infraestructura de servicio dichos vehículos como elementos de servicio a sus clientes.
Las ventas a usuarios finales se incrementarían pero no serían factor de crecimiento del ramo.

4. Vehículos para golf:
Este ramo sufriría una desaceleración debido a la disminución de apertura de nuevos campos de golf, sobre todo en los E.U.A., sin embargo la fortaleza del sector se derivaría de la reducción en costos de mantenimiento dentro de los campos de golf ya establecidos.

5. *Vehículos para usos especiales*:
Este ramo abarca el resto de las variantes de V.E., los cuales encontrarían sus fuerzas de crecimiento en la innovación y en la capacidad para realizar nuevas tareas, capacidad de realizar tareas múltiples y sobre todo ahorrar el esfuerzo

humano. Dentro del ramo el mayor crecimiento lo encontrarían aquellos productos que posibilitaran la realización de algo nuevo, es decir aquellos que generaran su propio mercado.

Volumen pronosticado de ventas mundiales de VE.

	2000	2001	2002	2003	2005	2010
Industrial	294,000	340,000	370,000	405,000	510,000	750,000
Dos Ruedas	500,000	700,000	1,000,000	1,300,000	3,000,000	6,000,000
Minusválidos	420,000	470,000	530,000	590,000	740,000	1,300,000
Carros de Golf	256,000	265,000	280,000	300,000	320,000	330,000
Usos especiales	89,000	148,000	472,000	626,000	1,535,000	4,096,000

Fuente: Datos a partir de la ilustración 6 del caso, “ZAP y la industria del vehículo eléctrico”.

Tabla 4

Valor pronosticado de las ventas mundiales de VE.

	2000	2001	2002	2003	2005	2010
Industrial	$30,350	$30,550	$30,870	$40,260	$40,950	$50,850
Dos Ruedas	$4,000	$5,400	$7,100	$9,400	$10,500	$30,000
Minusválidos	$4,200	$4,700	$5,300	$5,900	$7,400	$10,300
Carros de Golf	$5,100	$5,300	$5,500	$5,600	$6,000	$6,000
Usos especiales	$1,430	$2,060	$3,890	$4,490	$9,100	$15,900

Valores en Millones de dólares.
Fuente: Datos a partir de la ilustración 7 del caso, “ZAP y la industria del vehículo eléctrico”.

Tabla 5

3. ANÁLISIS DE LA SITUACIÓN DE LA EMPRESA.

a. Análisis financiero.

Análisis de tamaño común del Balance general y Estado de resultados de la empresa:

Balance general Activos 1995 al 2000.

	1995		1996		1997		1998		1999		2000	
ACTIVOS		%		%		%		%		%		%
Circulante												
Efectivo	$21,800.00	11.39%	$161,600.00	20.98%	$690,500.00	51.45%	$475,300.00	27.01%	$3,183,900.00	41.21%	$3,543,000.00	27.62%
Cuentas por cobrar	$30,700.00	16.04%	$60,900.00	7.91%	$121,700.00	9.07%	$283,800.00	16.13%	$352,700.00	4.56%	$1,613,000.00	12.58%
Inventario MP	$25,900.00	13.53%	$99,900.00	12.97%	$144,100.00	10.74%	$442,100.00	25.12%	$661,700.00	8.56%	$1,960,000.00	15.28%
Inventario en proceso	$24,900.00	13.01%	$95,500.00	12.40%	$70,200.00	5.23%	$104,100.00	5.92%	$349,200.00	4.52%	$78,000.00	0.61%
Inventario PT	$7,600.00	3.97%	$51,200.00	6.65%	$53,000.00	3.95%	$87,700.00	4.98%	$714,200.00	9.24%	$860,000.00	6.70%
Total de Inventarios	$58,400.00	30.51%	$246,600.00	32.02%	$267,300.00	19.92%	$633,900.00	36.02%	$1,725,100.00	22.33%	$2,898,000.00	22.59%
Notas de crédito a favor	-	-	-	-	-	-	-	-	$20,000.00	0.26%	-	-
Gastos pagados por adelantado y otros	-	-	$115,500.00	15.00%	$65,600.00	4.89%	$97,800.00	5.56%	$303,000.00	3.92%	$696,000.00	5.43%
Total de A. C.	$110,900.00	57.94%	$584,600.00	75.90%	$1,145,100.00	85.33%	$1,490,800.00	84.72%	$5,584,700.00	72.28%	$8,750,000.00	68.22%
Fijo												
Maquinaria y equipo	$35,600.00	18.60%	$41,600.00	5.40%	$54,300.00	4.05%	$81,600.00	4.64%	$187,000.00	2.42%	$371,000.00	2.89%
Equipo de cómputo	-	-	-	-	-	-	-	-	$209,600.00	2.71%	$289,000.00	2.25%
Equipo comprado a crédito	-	-	$42,100.00	5.47%	$45,900.00	3.42%	$45,900.00	2.61%	-	-	$0.00	0.00%
Bicicletas de demostración	$15,400.00	8.05%	$33,500.00	4.35%	$77,500.00	5.77%	$89,600.00	5.09%	$89,600.00	1.16%	$90,000.00	0.70%
Equipo y mobiliario oficina	$20,000.00	10.45%	$30,000.00	3.90%	$57,900.00	4.31%	$76,000.00	4.32%	$52,000.00	0.67%	$111,000.00	0.87%
Mejoras al inmueble	$6,600.00	3.45%	$6,600.00	0.86%	$14,900.00	1.11%	$25,400.00	1.44%	$78,400.00	1.01%	$94,000.00	0.73%
Vehículos	-	-	$4,300.00	0.56%	$34,400.00	2.56%	$56,200.00	3.19%	$97,600.00	1.26%	$118,000.00	0.92%
Amortización Propiedades y equipo	$(11,300.00)	-5.90%	$(57,800.00)	-7.50%	$(121,700.00)	-9.07%	$(197,700.00)	-11.23%	$(363,900.00)	-4.71%	$(563,000.00)	-4.39%
Propiedades y equipo	$66,300.00	34.64%	$100,300.00	13.02%	$163,200.00	12.16%	$177,000.00	10.06%	$350,300.00	4.53%	$510,000.00	3.98%
Patentes y Marcas - amortización	-	-	-	-	-	-	-	-	$1,176,100.00	15.22%	$1,432,000.00	11.16%
Crédito Mercantil (Goodwill) - amortización	-	-	-	-	-	-	-	-	$112,200.00	1.45%	$2,023,000.00	15.77%
Anticipos a detallistas y Compañías de Tecnología	-	-	-	-	-	-	-	-	$478,800.00	6.20%	-	-
Amortización acumulada (Intangibles)	$8,200.00	4.28%	$7,300.00	0.95%	$20,200.00	1.51%	$80,000.00	4.55%	-	-	-	-
Inversión en Joint venture	-	-	$52,500.00	6.82%	-	-	-	-	-	-	-	-
Efectivo restringido al pago de deuda largo plazo	-	-	$10,000.00	1.30%	-	-	-	-	-	-	-	-
Depósitos y otros	$6,000.00	3.13%	$15,500.00	2.01%	$13,500.00	1.01%	$11,900.00	0.68%	$24,500.00	0.32%	$112,000.00	0.87%
Total de Activo a LP	$80,500.00	42.06%	$185,600.00	24.10%	$196,900.00	14.67%	$268,900.00	15.28%	$2,141,900.00	27.72%	$4,077,000.00	31.78%
Activo total	$191,400.00	100.00%	$770,200.00	100.00%	$1,342,000.00	100.00%	$1,759,700.00	100.00%	$7,726,600.00	100.00%	$12,827,000.00	100.00%

Fuente: Reportes anuales de la empresa a la comisión de Bonos y Valores de los E.U.A. Ver anexos a, b, c, d y e.

Tabla 6

Balance general Pasivos 1995 al 2000.

	1995		1996		1997		1998		1999		2000	
PASIVOS		%		%		%		%		%		%
Corto Plazo												
Cuentas por pagar	$94,200.00	49.22%	$301,200.00	39.11%	$161,600.00	12.04%	$334,200.00	18.99%	$742,200.00	9.61%	$398,000.00	3.10%
Cuentas vencidas x pagar y depósitos del cliente	$12,600.00	6.58%	$66,500.00	8.63%	$189,100.00	14.09%	$150,700.00	8.56%	$367,900.00	4.76%	$1,167,000.00	9.10%
Notas de crédito por pagar	$21,500.00	11.23%	$236,400.00	30.69%	$51,600.00	3.85%	$867,000.00	49.27%	$15,300.00	0.20%	$99,000.00	0.77%
Vencimientos de obligaciones a largo plazo	-	-	$12,800.00	1.66%	-	-	-	-	-	-	-	-
Vencimientos de obligaciones arriendo de capital	-	-	$12,500.00	1.62%	$16,000.00	1.19%	$10,300.00	0.59%	$9,000.00	0.12%	$32,000.00	0.25%
Impuestos por pagar	$2,700.00	1.41%	-	-	-	-	-	-	-	-	-	-
Total de Pasivo a CP	$131,000.00	68.44%	$629,400.00	81.72%	$418,300.00	31.17%	$1,362,200.00	77.41%	$1,134,400.00	14.68%	$1,696,000.00	13.22%
Largo Plazo												
Deuda a largo plazo - vencimientos actuales	-	-	$4,700.00	0.61%	$60,000.00	4.47%	$11,200.00	0.64%	$24,200.00	0.31%	$95,000.00	0.74%
Oblig. de arriendo de Cap.- vencimientos actuales	-	-	$23,700.00	3.08%	$10,900.00	0.81%	$600.00	0.03%	$13,500.00	0.17%	$31,000.00	0.24%
Total de Pasivo a LP	-	-	$28,400.00	3.69%	$70,900.00	5.28%	$11,800.00	0.67%	$37,700.00	0.49%	$126,000.00	0.98%
Pasivo Total	$131,000.00	68.44%	$657,800.00	85.41%	$489,200.00	36.45%	$1,374,000.00	78.08%	$1,172,100.00	15.17%	$1,822,000.00	14.20%
CAPITAL												
Acciones preferentes	-	-	-	-	-	-	-	-	-	-	$1,812,000.00	14.13%
Acciones comunes	$149,900.00	78.32%	$1,019,200.00	132.33%	$3,168,900.00	236.13%	$3,731,800.00	212.07%	$12,053,200.00	156.00%	$19,117,000.00	149.04%
Utilidad o Déficit acumulados	$(89,500.00)	-46.76%	$(906,800.00)	-117.74%	$(2,316,100.00)	-172.59%	$(3,346,100.00)	-190.15%	$(5,118,100.00)	-66.24%	$(9,664,000.00)	-75.34%
Compensación no ganada	-	-	-	-	-	-	-	-	$(95,800.00)	-1.24%	$(42,000.00)	-0.33%
Documentos por cobrar de los accionistas	-	-	-	-	-	-	-	-	$(284,800.00)	-3.69%	$(218,000.00)	-1.70%
Capital contable	$60,400.00	31.56%	$112,400.00	14.59%	$852,800.00	63.55%	$385,700.00	21.92%	$6,554,500.00	84.83%	$11,005,000.00	85.80%
PASIVO + CAPITAL	$191,400.00	100.00%	$770,200.00	100.00%	$1,342,000.00	100.00%	$1,759,700.00	100.00%	$7,726,600.00	100.00%	$12,827,000.00	100.00%

	1995	1996	1997	1998	1999	2000
Estructura financiera	68.5 / 31.5	85.5 / 14.5	36.5 / 63.5	78.0 / 22.0	15.0 / 85.0	14.0 / 86.0

Fuente: Reportes anuales de la empresa a la comisión de Bonos y Valores de los E.U.A. Ver anexos a, b, c, d y e.

Tabla 7

Estado de resultados 1995 al 2000.

	1995		1996			1997			1998			1999			2000		
		%		%			%			%			%			%	
Ventas Netas	$650,800.00	100%	$1,170,900.00	100%		$1,640,200.00	100%		$3,518,600.00	100%		$6,437,200.00	100%		$12,443,000.00	100%	
Costo de Ventas	$435,400.00	66.90%	$862,700.00	73.68%	↑	$1,274,700.00	77.72%	↑	$2,391,300.00	67.96%	↓	$4,446,400.00	69.07%	↑	$7,860,000.00	63.17%	↓
Utilidad Bruta	$215,400.00	33.10%	$308,200.00	26.32%	↓	$365,500.00	22.28%	↓	$1,127,300.00	32.04%	↑	$1,990,800.00	30.93%	↓	$4,583,000.00	36.83%	↑
Gatos de ventas	$90,300.00	13.88%	$476,800.00	40.72%	↑	$633,000.00	38.59%	↓	$967,700.00	27.50%	↓	$1,186,700.00	18.44%	↓	$2,204,000.00	17.71%	↓
Depreciaciones	$11,300.00	1.74%	$57,800.00	4.94%	↑	$121,700.00	7.42%	↑	$197,700.00	5.62%	↓	$363,900.00	5.65%	↑	$563,000.00	4.52%	↓
Gastos administrativos	$270,900.00	41.63%	$497,000.00	42.45%	↑	$698,700.00	42.60%	↑	$781,500.00	22.21%	↓	$1,581,100.00	24.56%	↑	$3,261,000.00	26.21%	↑
Suma de Gastos de administración	$282,200.00	43.36%	$554,800.00	47.38%	↑	$820,400.00	50.02%	↑	$979,200.00	27.83%	↓	$1,945,000.00	30.22%	↑	$3,824,000.00	30.73%	↑
Gastos de I y D	$74,700.00	11.48%	$100,400.00	8.57%	↓	$246,100.00	15.00%	↑	$202,600.00	5.76%	↓	$364,600.00	5.66%	↓	$699,000.00	5.62%	↓
Suma de Gastos de operación	$447,200.00	68.72%	$1,132,000.00	96.68%	↑	$1,699,500.00	103.62%	↑	$2,149,500.00	61.09%	↓	$3,496,300.00	54.31%	↓	$6,727,000.00	54.06%	↓
Utilidad de operación (EBIT)	$(231,800.00)	-35.62%	$(823,800.00)	-70.36%	↓	$(1,334,000.00)	-81.33%	↓	$(1,022,200.00)	-29.05%	↑	$(1,505,500.00)	-23.39%	↑	$(2,144,000.00)	-17.23%	↑
Pago de intereses	$(2,700.00)	-0.41%	$(11,400.00)	-0.97%	↑	$(84,800.00)	-5.17%	↑	$(100,300.00)	-2.85%	↓	$(267,300.00)	-4.15%	↑	$(21,000.00)	-0.17%	↓
Ingresos por intereses	-		-		–	-		–	-		–	-		–	-		–
Misceláneos	$(8,000.00)	-1.23%	$19,500.00	1.67%	↑	$11,100.00	0.68%	↓	$13,900.00	0.40%	↓	$81,000.00	1.26%	↑	$202,000.00	1.62%	↑
CIF	$(10,700.00)	-1.64%	$8,100.00	0.69%	↑	$(73,700.00)	-4.49%	↓	$(86,400.00)	-2.46%	↑	$(186,300.00)	-2.89%	↓	$181,000.00	1.45%	↑
Subvención	$20,000.00		$0.00		↓	$0.00		–	$0.00		–	$0.00		–	$67,000.00		↑
Regalías	$210,000.00		$0.00		↓	$0.00		–	$0.00		–	$0.00		–	$0.00		–
Suma de gastos Financieros	$219,300.00	33.70%	$8,100.00	0.69%	↓	$(73,700.00)	-4.49%	↓	$(86,400.00)	-2.46%	↑	$(186,300.00)	-2.89%	↓	$248,000.00	1.99%	↑
Utilidad antes de impuestos (EBT)	$(12,500.00)	-1.92%	$(815,700.00)	-69.66%	↓	$(1,407,700.00)	-85.82%	↓	$(1,108,600.00)	-31.51%	↑	$(1,691,800.00)	-26.28%	↑	$(1,896,000.00)	-15.24%	↑
Provisión para pago de impuestos	$3,500.00		$1,600.00			$1,600.00			$800.00			$800.00			$1,000.00		
Pago de impuestos	$0.00		$0.00			$0.00			$0.00			$0.00			$0.00		
Utilidad antes de pago Div.	$(16,000.00)	-2.46%	$(817,300.00)	-69.80%	↓	$(1,409,300.00)	-85.92%	↓	$(1,109,400.00)	-31.53%	↑	$(1,692,600.00)	-26.29%	↓	$(1,897,000.00)	-15.24%	↓
Pago de Dividendos preferentes	$0.00		$0.00		–	$0.00		–	$0.00		–	$0.00		–	$(2,649,000.00)		↓
Utilidad Neta	$(16,000.00)	-2.46%	$(817,300.00)	-69.80%	↓	$(1,409,300.00)	-85.92%	↓	$(1,109,400.00)	-31.53%	↑	$(1,692,600.00)	-26.29%	↑	$(4,546,000.00)	-36.53%	↓
# de Acciones promedio	1,582,656.00		1,805,317.00			2,289,165.00			2,614,563.00			3,927,633.00			5,361,905.00		
Ingreso o pérdida neta por Acción	$(0.01)		$(0.45)			$(0.62)			$(0.42)			$(0.43)			$(0.85)		

Fuente: Reportes anuales de la empresa a la comisión de Bonos y Valores de los E.U.A. Ver anexos a, b, c, d y e.

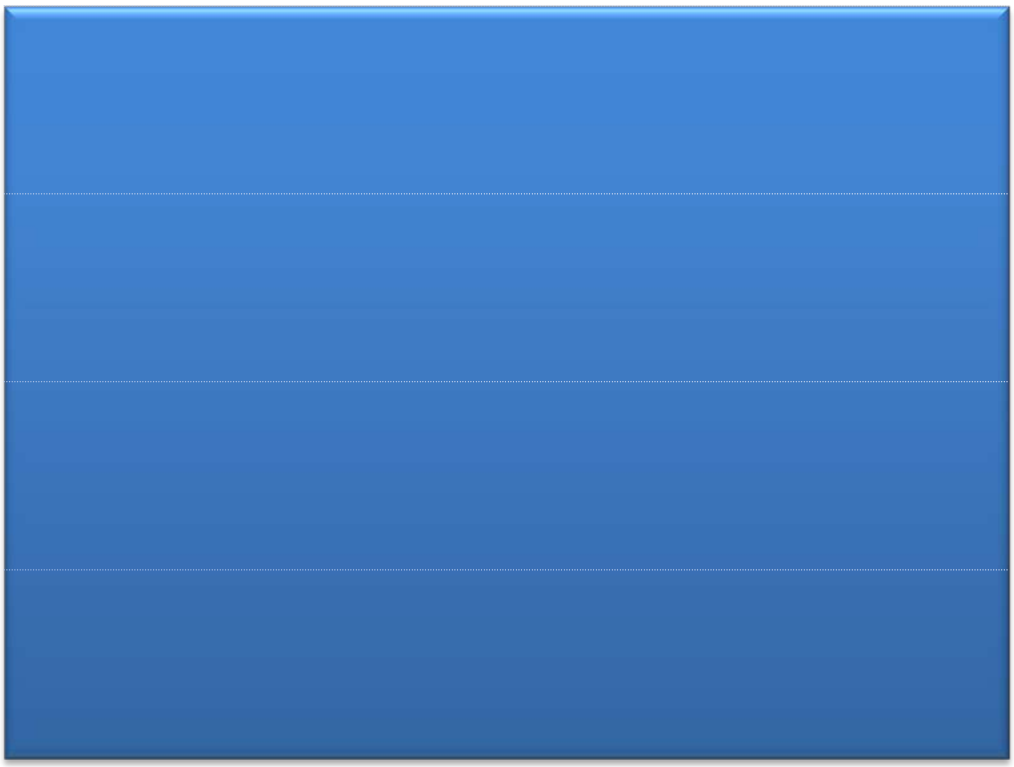
Tabla 8

Datos obtenidos del análisis de tamaño común.

Balance General:

- Los montos de efectivo al finalizar el año han sido constantemente altos, llegando en 1997 a representar el 51.45% del activo total de la empresa.

- En 1995, 1996 y 1998, el monto invertido en inventario ha representado 1/3 del activo total, estando conformado en su mayor parte por materia prima ó producto en proceso.



Gráfica 1

- En 1995, 1996 y 1998, el pasivo a corto plazo ha representado entre el 68.44% y 81.72% del pasivo y capital de la empresa, al mismo tiempo que en los años de 1996, 1997, 1998 y 2000 el pasivo a largo plazo ha representado en su punto máximo el 5.28% del pasivo y capital.

- La estructura financiera de la empresa es ambivalente, en 1995, 1996 y 1998 se soportó mediante pasivo, y en los años 1997, 1999 y 2000 soportó mediante capital.

- Todos los años las fuentes de financiamiento se han concentrado en el corto plazo y un porcentaje muy bajo del financiamiento se ha realizado a largo plazo.

Estado de resultados:

- Todos los años el costo de ventas ha sido superior a 2/3 de monto obtenido por ventas, en 1996 y 1997 este costo llegó a representar 3/4 del ingreso por ventas.

- La tendencia de los últimos 3 años muestra una inclinación a que los costos de producción se reduzcan.

- En 1995, 1998, 1999 y 2000 los gastos de operación superan el 50% de los ingresos por ventas, en 1996 y 1997 este gasto fue superior al 100% de los ingresos por ventas.

- La tendencia de los últimos 3 años muestra una inclinación a que los gastos de operación se reduzcan.

- El CIF de los 5 años no tiene impacto real en la situación financiera de la empresa, esto debido a que el máximo costo se tuvo en 1997 representando 4.5% del ingreso por ventas.

- Los ingresos por regalías y subvención representan ingresos fuertes para la empresa, pero no son constantes, por lo que no representan una fuente de ingresos estable.

- A pesar del incremento en ventas, no existe una tendencia a reducir las pérdidas, 1998 es el año en que el comportamiento financiero presenta mejores condiciones.

Gráfica 3

Análisis de Razones Financieras.
Tendencias de los últimos 6 años de operación:

		1995	1996	1997	1998	1999	2000		Tendencia
LIQUIDEZ									
Liquidez.	Activo circulante / Pasivo corto plazo	0.8466	0.9288	2.7375	1.0944	4.9230	5.1592	Veces	↑
Acido.	Activo circulante - inventario / Pasivo corto plazo	0.4008	0.5370	2.0985	0.6291	3.4023	3.4505	Veces	↑
OPERACIÓN / ACTIVIDAD									
Rotación de CPC.	Ventas netas / Cuentas por cobrar	21.1987	19.2266	13.4774	12.3982	18.2512	7.7142	Veces	↓
Plazo promedio de cobro PPC .	360 / Rotación cuentas por cobrar	16.9822	18.7241	26.7114	29.0365	19.7247	46.6672	Días	↑
Rotación de CPP.	Compras / Cuentas por pagar	4.6221	2.8642	7.8880	7.1553	5.9908	19.7487	Veces	↑
Plazo promedio de pago PPP.	360 / Rotación cuentas por pagar	77.8870	125.6891	45.6390	50.3124	60.0918	18.2290	Días	↓
Rotación de inventarios.	Costo de ventas / Inventario final producto terminado	57.2895	16.8496	24.0509	27.2668	6.2257	9.1395	Veces	↓
Días de inventario.	360 / Rotación inventario producto terminado	6.2839	21.3655	14.9682	13.2029	57.8248	39.3893	Días	↑
EFICIENCIA									
Rotación de Activo total.	Ventas netas / Activo total	3.4002	1.5203	1.2222	1.9995	0.8331	0.9701	Veces	↓
Rotación de Activo Fijo.	Ventas netas / Activo fijo	8.0845	6.3087	8.3301	13.0852	3.0054	3.0520	Veces	↓
RENTABILIDAD									
Margen Bruto.	Utilidad bruta / Ventas netas	33.10%	26.32%	22.28%	32.04%	30.93%	36.83%	Porcentaje	↑
Margen de operación (EBIT).	Utilidad de operación / Ventas netas	-35.62%	-70.36%	-81.33%	-29.05%	-23.39%	-17.23%	Porcentaje	↑
Margen Neto.	Utilidad neta / Ventas netas	-2.46%	-69.80%	-85.92%	-31.53%	-26.29%	-36.53%	Porcentaje	↓
Rendimiento sobre inversión de capital.	Utilidad neta / Capital	-10.67%	-80.19%	-44.47%	-29.73%	-14.04%	-23.78%	Porcentaje	↓
Rendimiento sobre activos (DUPONT).	Utilidad neta / Activos	-8.36%	-106.12%	-105.01%	-63.04%	-21.91%	-35.44%	Porcentaje	↓
ENDEUDAMIENTO									
Rotación de Intereses.	EBIT / CIF	-21.6636	101.7037	-18.1004	-11.8310	-8.0811	11.8453	Veces	↑
Grado de Endeudamiento.	Pasivo / Activos	68.44%	85.41%	36.45%	78.08%	15.17%	14.20%	Porcentaje	↓
Grado de Posesión.	Capital contable / Activos	31.56%	14.59%	63.55%	21.92%	84.83%	85.80%	Porcentaje	↑
Grado de Apalancamiento.	Pasivo total / Capital contable	2.1689	5.8523	0.5736	3.5624	0.1788	0.1656	Veces	↓
Grado de Apalancamiento CP.	Pasivo corto plazo / Capital contable	2.1689	5.5996	0.4905	3.5318	0.1731	0.1541	Veces	↓
Grado de Apalancamiento LP.	Pasivo largo plazo / Capital contable	0.0000	0.2527	0.0831	0.0306	0.0058	0.0114	Veces	↕

Tabla 9

Datos obtenidos del análisis de razones financieras:

Liquidez:

La liquidez de la empresa se ha incrementando considerablemente en los últimos cinco años. En 2000, su nivel de liquidez incluso en la razón del acido muestra un amplio margen en su capacidad de pago a corto plazo.

Operación:

El Plazo promedio de cobro se ha incrementado significativamente, en 1995 dicho plazo era de 16 días (1/2 mes), para el año 2000, el PPC se ubica en 45 días, el cual puede considerarse elevado al tomar en cuenta los canales de distribución utilizados por la empresa (Venta directa, venta por catalogo y tiendas propias) y la naturaleza de pago del producto (Es un producto cuyo pago normalmente es en efectivo).

En el otro extremo, el Plazo promedio de pago, se ha reducido significativamente, partiendo de que en 1996 era de 125 días y en el año 2000 fue de 18 días, lo que representa un periodo muy reducido de tiempo.

Por otra parte, los días Inventario de producto, se han incrementado considerablemente, de 6 días en 1996 a 46 días en el año 2000, lo que muestra un estanco en la movilidad del producto.

Eficiencia:

La eficiencia de la empresa ha ido decreciendo, en el año 1995 las ventas representaban 3 y 8 veces el activo total y el activo fijo respectivamente, mientras que para el año 2000 estas proporciones se redujeron a 0.9 y 3 veces.

Rentabilidad

El margen bruto de la empresa se ha mantenido entre el 20% y 30% desde el año 1995 hasta el año 2000, mostrándose una tendencia ligera a continuar mejorando, de hecho en el año 2000 se logró un margen bruto de 36%, el cual representa el máximo histórico desde 1995.

El margen de operación o EBIT muestra problemas serios en la operación de la empresa, alcanzando valores de pérdida de hasta -81% en 1997. Sin embargo su tendencia muestra mejoras al reducirse a un -30%, -23% y -17% en los años 1998, 1999 y 2000.

El diferencial entre el margen EBIT y el margen neto, muestra problemas en los métodos de financiamiento de la empresa, esto debido a que dicho diferencial se ha incrementado de -3% en 1998 hasta un -10% para el año 2000.

Las razones de rendimiento del capital y de activos, muestran una ligera tendencia de mejora en relación a los años 1996 y 1997, sin embargo los porcentajes de perdida para el año 2000 continúan siendo elevados, entre un -20% de rendimiento contra el capital y un -35% de rendimiento contra el activo de la empresa.

Endeudamiento:

Las razones de endeudamiento muestran tendencia de que la empresa está concentrando su financiamiento en la obtención de capital, teniendo 85% de su activo respaldado por el capital social y sólo un 15% respaldado por pasivos.

Por lo anterior el nivel de apalancamiento de la empresa se ha ido reduciendo a un nivel muy bajo, pasando los pasivos de representar 2 veces el capital de la empresa en 1995, a representar para el 2000 una décima de dicho capital social.

Aunado a lo anterior, el nivel de apalancamiento de la empresa, se ha concentrado desde el año 1995, en apalancamiento a corto plazo, dejándose por completo a un lado el apalancamiento a largo plazo. Por ejemplo en el año 2000 el apalancamiento a corto plazo fue de una décima del capital social y el de largo plazo fue de una centésima.

b. Análisis de mercado.

Análisis del entorno:

Para inicios del año 2001, los factores del entorno se presentan favorables para los mercados de vehículos eléctricos:

- Precio alto de los combustibles:

  - **Acuerda la OPEC incrementar la producción. (10, Sept. 2000):** Ante la presión mundial, los miembros acuerdan incrementar la producción a 800,000 barriles diarios.[2]
  - **Altos precios del petróleo provocan protestas en Europa. (11, Sept. 2000):** Choferes de camiones, agricultores y taxistas bloquean refinerías recortando la entrega de gasolina a miles de estaciones de servicio.[3]
  - **Se aprueba la liberación de reservas de petróleo. (22, Sept. 2000):** Clinton ordena la liberación de 30 millones de barriles para recortar el incremento de costos de los combustibles.[4]

- Apertura de nuevos mercados antes inexistentes:

  - **Acuerdo de comercio entre E.U.A. y Vietnam. (13, Julio 2000):** El acuerdo permitirá lograr el comercio casi sin restricciones entre los dos países.[5]
  - **El Senado aprueba acuerdo comercial con China. (19, Sept. 2000):** Con 83 votos a favor 15 en contra, la ampliación del acuerdo con China dará al presidente Clinton un victoria histórica en política exterior, dando término a la revisión del congreso con respecto al comercio con China.[6]
  - **Clinton Firma acuerdo comercial con China. (10, Oct. 2000):** El acuerdo concede a China condiciones permanentes de comercio normales, comprometiéndola a no dar paso atrás en las concesiones hechas hasta el momento y en su camino a integrarse a la Organización Mundial de comercio.[7]
  - **China promete honrar tratado comercial. (12, Oct. 2000):** El Primer Ministro Chino Zhu Rongji asegura al representante de comercio de E.U.A. Charlene Barshefsky, que China cumplirá su compromiso de apertura comercial con el fin de mantener su estatus de comercio normal con los E.U.A. [8]

- Fortalecimiento del dólar vs euro:

  - **Bancos Centrales actúan para rescatar al Euro. (22, Sept. 2000):** Instituciones europeas, americanas y japonesas buscan impulsar la moneda unificada europea para combatir lo que podría ser una amenaza a la economía mundial.[9]
  - **El Euro se desploma a una nueva marca baja. (26, Oct. 2000):** La moneda Europea alcanza un Nuevo record bajo en relación al dólar y al yen Japonés. El banco central de Europa y el Banco de Japón planean una intervención que detenga el desplome.[10]

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[2] Traducción al español de www.infoplease.com, September 2000,http://www.infoplease.com/ipa/A0801108.html#ixzz1lvLTL9K1
[3] Traducción al español de www.infoplease.com, September2000, http://www.infoplease.com/ipa/A0801108.html#ixzz1lvM9ZrBw
[4] Traducción al español de www.infoplease.com, September 2000, http://www.infoplease.com/ipa/A0801108.html#ixzz1lvMeUBSV
[5] Traducción al español de www.infoplease.com, July 2000, http://www.infoplease.com/ipa/A0801106.html#ixzz1lvPCEQ5i
[6] Traducción al español de www.infoplease.com, September 2000, http://www.infoplease.com/ipa/A0801108.html#ixzz1lvOWpOup
[7] Traducción al español de www.infoplease.com, October 2000, http://www.infoplease.com/ipa/A0801109.html#ixzz1lvPhckbE
[8] Traducción al español de www.infoplease.com, October 2000, http://www.infoplease.com/ipa/A0801109.html#ixzz1lvQI8bFw
[9] Traducción al español de www.infoplease.com, September 2000, http://www.infoplease.com/ipa/A0801108.html#ixzz1lvOsMZa0
[10] Traducción al español de www.infoplease.com, October 2000, http://www.infoplease.com/ipa/A0801109.html#ixzz1lvQX1zWO
Ultima consulta al sitio www.infoplease.com 23 de marzo de 2012.

- Crecimiento sostenido de la economía de EUA:
    - **Gobierno de E.U.A. anuncia Superávit record. (24, Oct. 2000):** La administración anuncia superávit de $237 miles de millones de dólares, tercero consecutivo para el año fiscal que terminó en septiembre del presente año.[11]

- Presiones de grupos ambientalistas:
    - **Detienen Ley sobre contaminación del aire. (3, Marzo 2000):** La Corte de Apelaciones de E.U.A, detiene proyecto para limitar la emisión de óxidos de nitrógeno que los estados pueden liberar a la atmosfera. Los ambientalistas apoyan dicho proyecto.[12]
    - **Aprueban proyecto Anti-contaminación. (23, Junio 2000):** La Corte de Apelaciones de los E.U.A. da un paso atrás en la detención del proyecto, lo que provocará una reducción importante en el flujo de smog desde el centro del país hacia la región medio oeste.[13]
    - **Se incrementa el riesgo del Calentamiento global. (25, Oct. 2000):** Científicos advierten en conferencia internacional que las temperaturas mundiales podrían incrementarse aun más si no se controla el uso de combustibles fósiles.[14]
    - **Nuevas leyes reducen la contaminación generada por Diesel. (20, Dic. 2000):** El presidente aprueba estándares de control para reducir de manera drástica las emisiones generadas por vehículos pesados y camiones en los próximos 10 años[15]

[11] Traducción al español de www.infoplease.com, October 2000, http://www.infoplease.com/ipa/A0801109.html#ixzz1lvSDCPzO
[12] Traducción al español de www.infoplease.com, March 2000, http://www.infoplease.com/ipa/A0801102.html#ixzz1lvRgprNH
[13] Traducción al español de www.infoplease.com, June 2000, http://www.infoplease.com/ipa/A0801105.html#ixzz1lvSxn15t
[14] Traducción al español de www.infoplease.com, October 2000, http://www.infoplease.com/ipa/A0801109.html#ixzz1lvSY4WJH
[15] Traducción al español de www.infoplease.com, December 2000, http://www.infoplease.com/ipa/A0801117.html#ixzz1lvTHZKUV
Ultima consulta al sitio www.infoplease.com 23 de marzo de 2012.

Análisis de los factores del mercado: Tamaño, Crecimiento, Valor.

De acuerdo con las estimaciones de mercado que Peter Harrop realizó en el año 2000, el mercado de vehículos eléctricos muestra una fuerte tendencia de crecimiento por volumen en todos sus sectores, pasando de venderse 1.5 millones de unidades acumuladas en el año 2000, para llegar a los 12.5 millones de unidades acumuladas para el año 2010.

En el mismo estudio, destaca el segmento de vehículos de 2 ruedas, donde ZAP tiene su principal participación dentro del mercado gracias a la venta de bicicletas, motocicletas y los trenes motrices para estas.

Dicho segmento de acuerdo con Harrop será el 3er segmento en crecimiento en base a volumen de ventas, superado por los segmentos de Autos y Robots móviles, cuyos crecimientos al año 2010 son estimados en 2000% y 2500% respectivamente, mientras que el segmento de 2 ruedas alcanzará un 1000% para dicho año, partiendo del volumen de mercado del segmento en el año 2000.

Harrop considera que el crecimiento en éste segmento de la industria, será gradual, manteniendo tasas entre el 30% al 50% anual, llegando a un volumen de ventas anuales de 6,000,0000 de unidades para el año 2010 vs las 500,000 que se venderán en el año 2000.

El otro segmento donde ZAP participa de forma activa, el de Carros de golf, de acuerdo a éste pronóstico, no presenta un panorama tan favorable en lo que a volumen se refiere, la estimación sobre dicho segmento es que tendrá tasas de crecimiento entre 3% y 5% anual, llegando a las 330,000 unidades anuales para el año 2010 vs las 256,000 del año 2000.

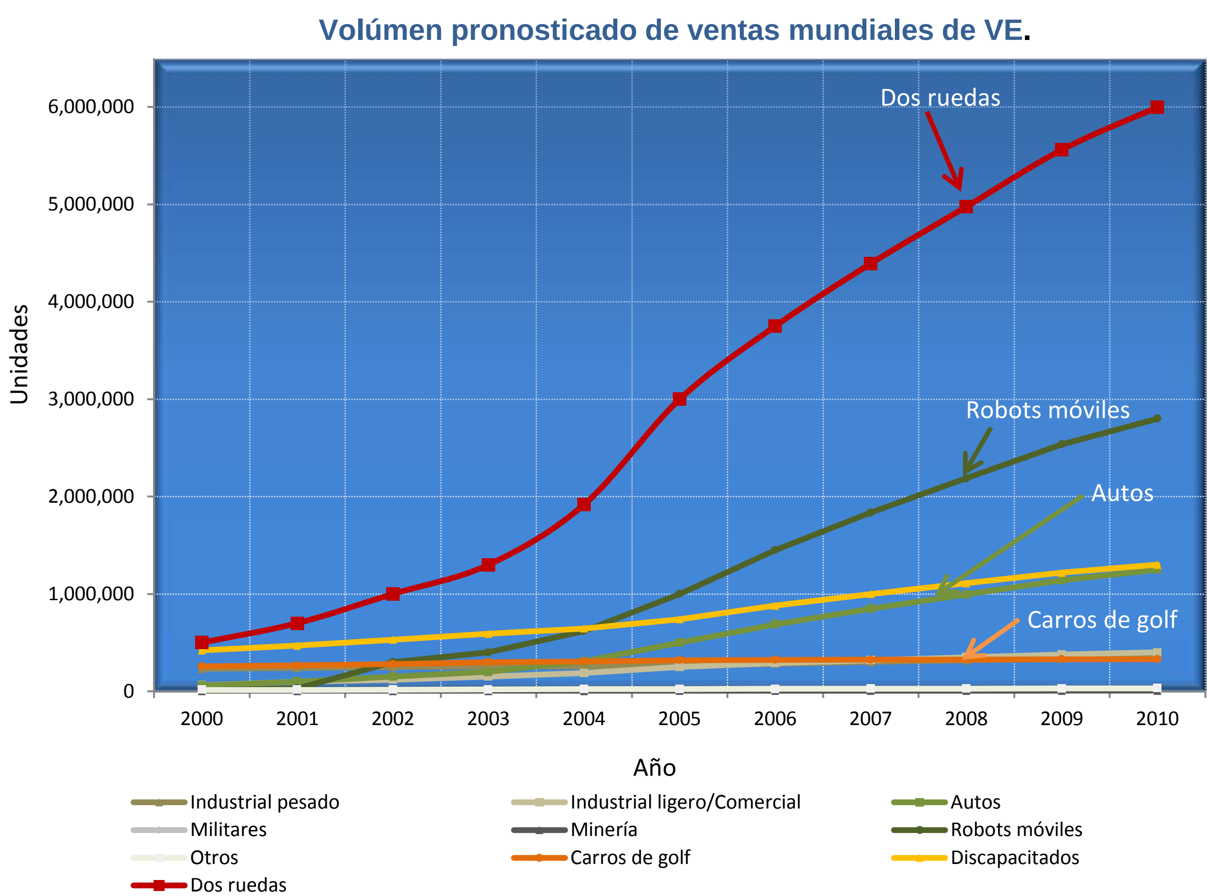
Estimación del volumen de mercado de Vehículos Eléctricos.

	2000	2001	2002	2003	2004	2005
Ind. pesado	230,000	240,000	250,000	255,000	257,000	260,000
Ind. ligero/Comercial	64,000	100,000	120,000	150,000	186,000	250,000
Discapacitados	420,000	470,000	530,000	590,000	645,000	740,000
Dos ruedas	**500,000**	**700,000**	**1,000,000**	**1,300,000**	**1,918,000**	**3,000,000**
Carros de golf	**256,000**	**265,000**	**280,000**	**300,000**	**307,000**	**320,000**
Autos	60,000	100,000	150,000	200,000	309,000	500,000
Militares	2,000	2,000	2,000	3,000	4,000	6,000
Minería	2,000	2,000	3,000	3,000	3,000	4,000
Robots móviles	10,000	30,000	300,000	400,000	618,000	1,000,000
Otros	15,000	14,000	17,000	20,000	22,000	25,000
Total	1,559,000	1,923,000	2,652,000	3,221,000	4,269,000	6,105,000

	2006	2007	2008	2009	2010
Ind. pesado	283,000	302,000	319,000	337,000	350,000
Ind. ligero/Comercial	288,000	320,000	349,000	378,000	400,000
Discapacitados	880,000	1,000,000	1,109,000	1,218,000	1,300,000
Dos ruedas	**3,750,000**	**4,393,000**	**4,977,000**	**5,562,000**	**6,000,000**
Carros de golf	**323,000**	**325,000**	**327,000**	**329,000**	**330,000**
Autos	688,000	849,000	995,000	1,141,000	1,250,000
Militares	7,000	8,000	9,000	10,000	10,000
Minería	5,000	5,000	5,000	6,000	6,000
Robots móviles	1,450,000	1,836,000	2,187,000	2,537,000	2,800,000
Otros	26,000	27,000	28,000	29,000	30,000
	7,700,000	9,065,000	10,305,000	11,547,000	12,476,000

Se resaltan en negritas los mercados en que tiene participación ZAP
Datos interpolados a partir de los datos de la ilustración 6 del caso, cuya fuente original fue Peter Harrop, “Electric Vehicle Markets, Players and Forecast”, www.footnoteanalysis.com

Tabla 10



Gráfica 4

Por otra parte, las estimaciones de Harrop referentes al valor que tendrá el mercado de vehículos eléctricos en los próximos años, se puede apreciar que se estima un incremento del valor del segmento de 2 ruedas de aproximadamente un 650% para el año 2010, tomando como base el valor del segmento en el año 2000, mientras que el segmento de los carros de golf, sólo tendrá un crecimiento de 20% para el mismo periodo de tiempo, debido a que las proyecciones consideran que dicho segmento no incrementará su valor a partir del año 2006.

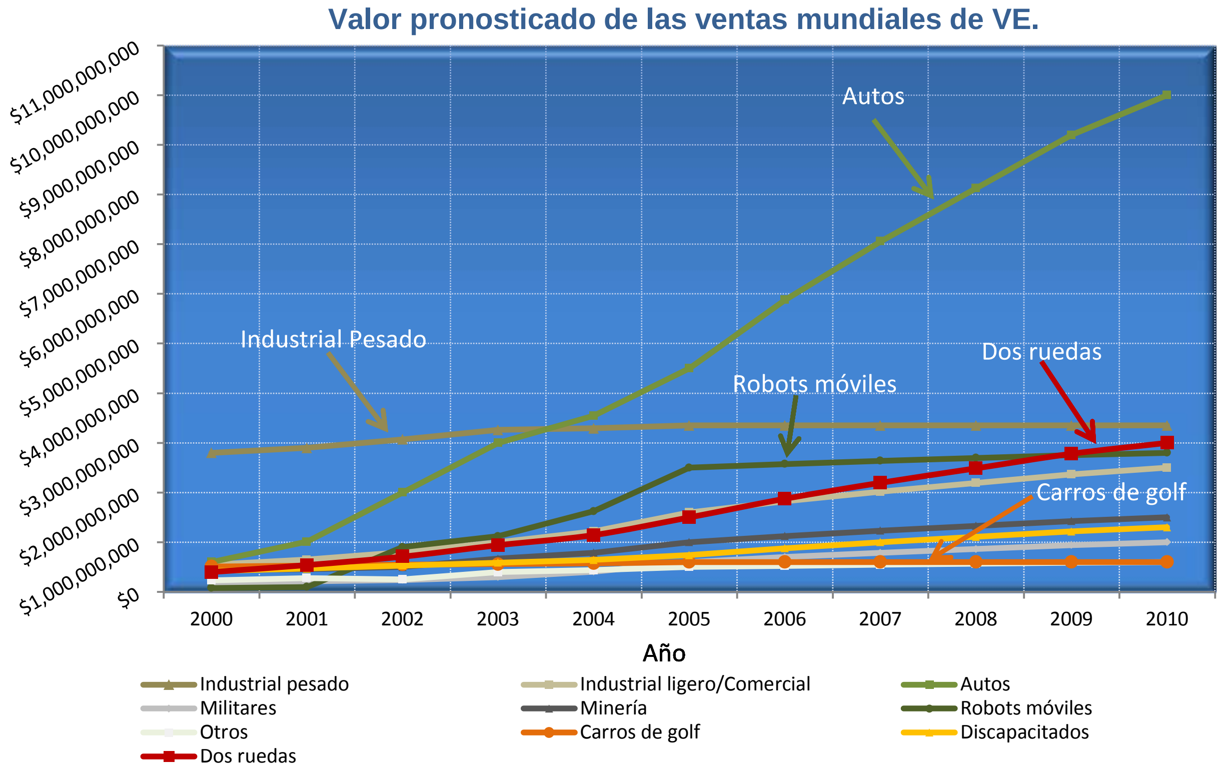
Estimación del valor del mercado de Vehículos Eléctricos.

	2000	2001	2002	2003	2004	2005
Ind. pesado	$2,800	$2,900	$3,070	$3,260	$3,293	$3,350
Ind. ligero/Comercial	$550	$650	$800	$1,000	$1,218	$1,600
Discapacitados	$420	$470	$530	$590	645,	$740
Dos ruedas	**$400**	**$540**	**$710**	**$940**	**$1,144**	**$1,500**
Carros de golf	**$510**	**$530**	**$550**	**$560,**	**$575**	**$600**
Autos	$600	$1,010	$2,000	$3,000	$3,545	$4,500
Militares	$180	$210	$240	$300	$409	$600
Minería	$440	$460	$500	$670	$790	$1,000
Robots móviles	$80	$100	$900	$1,120	$1,622	$2,500
Otros	$230	$280	$250	$400	$436	$500
Total	$6,210	$7,150	$9,550	$11,840	$13,677	$16,890

	2006	2007	2008	2009	2010
Ind. pesado	$3,350	$3,350	$3,350	$3,350	$3,350
Ind. ligero/Comercial	$1,825	$2,018	$2,193	$2,368	$2,500
Discapacitados	$880	$1,000	$1,109	$1,218	$1,300
Dos ruedas	**$1,875**	**$2,196**	**$2,488**	**$2,781**	**$3,000**
Carros de golf	**$600**	**$600**	**$600**	**$600**	**$600**
Autos	$5,875	$7,054	$8,125	$9,196	$10,000
Militares	$700	$786	$864	$942	$1,000
Minería	$1,125	$1,232	$1,329	$1,427	$1,500
Robots móviles	$2,575	$2,639	$2,698	$2,756	$2,800
Otros	$525	$546	$566	$585	$600
	$19,330	$21,421	$23,322	$25,223	$26,650

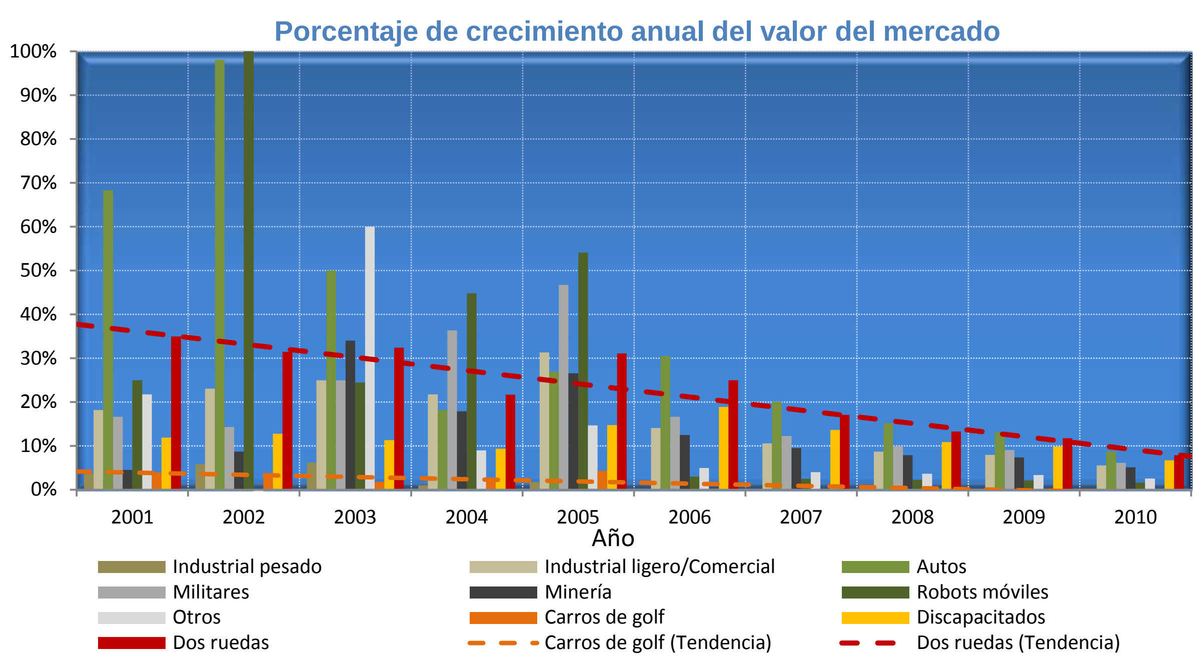
Cifras en millones de dólares.
Se resaltan en negritas los mercados en que tiene participación ZAP
Datos interpolados a partir de los datos de la ilustración 7 del caso, cuya fuente original fue Peter Harrop, "Electric Vehicle Markets, Players and Forecast", www.footnoteanalysis.com

Tabla 11

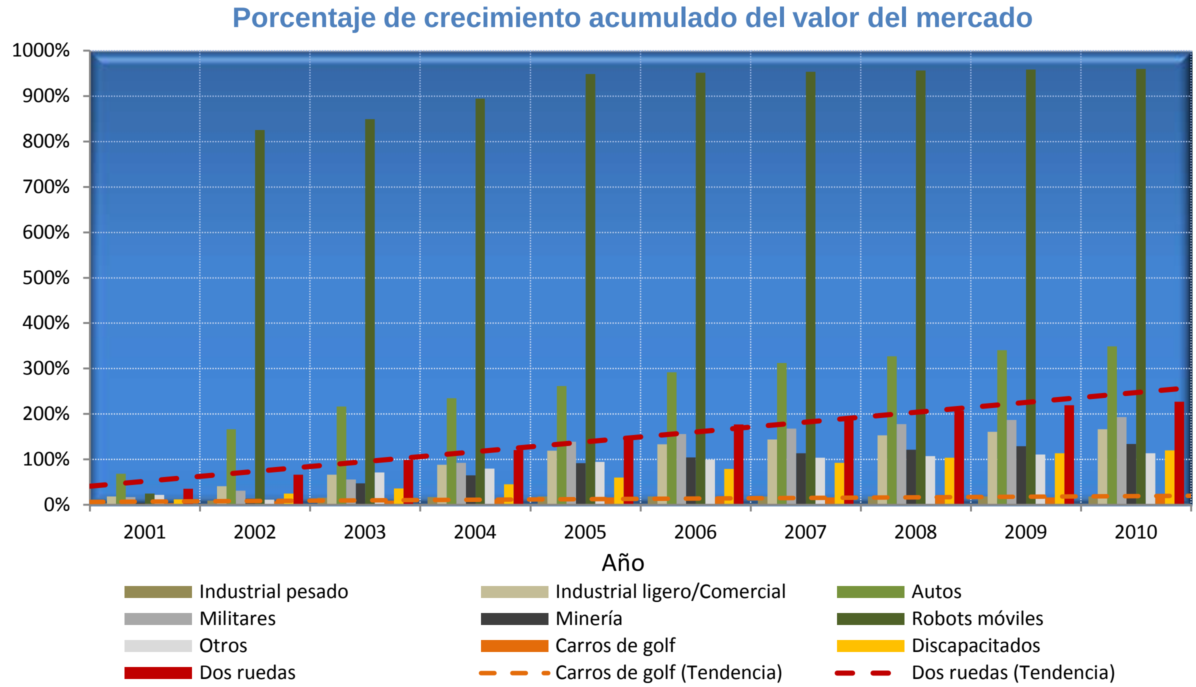


Gráfica 5

Sin embargo, al considerar los incrementos del valor de mercado para los diversos segmentos en términos de porcentaje, se observa una tendencia a que dichos incrementos de valor serán cada vez menores.



Gráfica 6



Gráfica 7

Por otra parte, al determinar el valor por unidad en base a los pronósticos de Harrop, se observa que los precios de los productos, tanto en el segmento de 2 ruedas como en el segmento de los carros de golf, se reducirán hasta un 35% y 10% menos respectivamente.

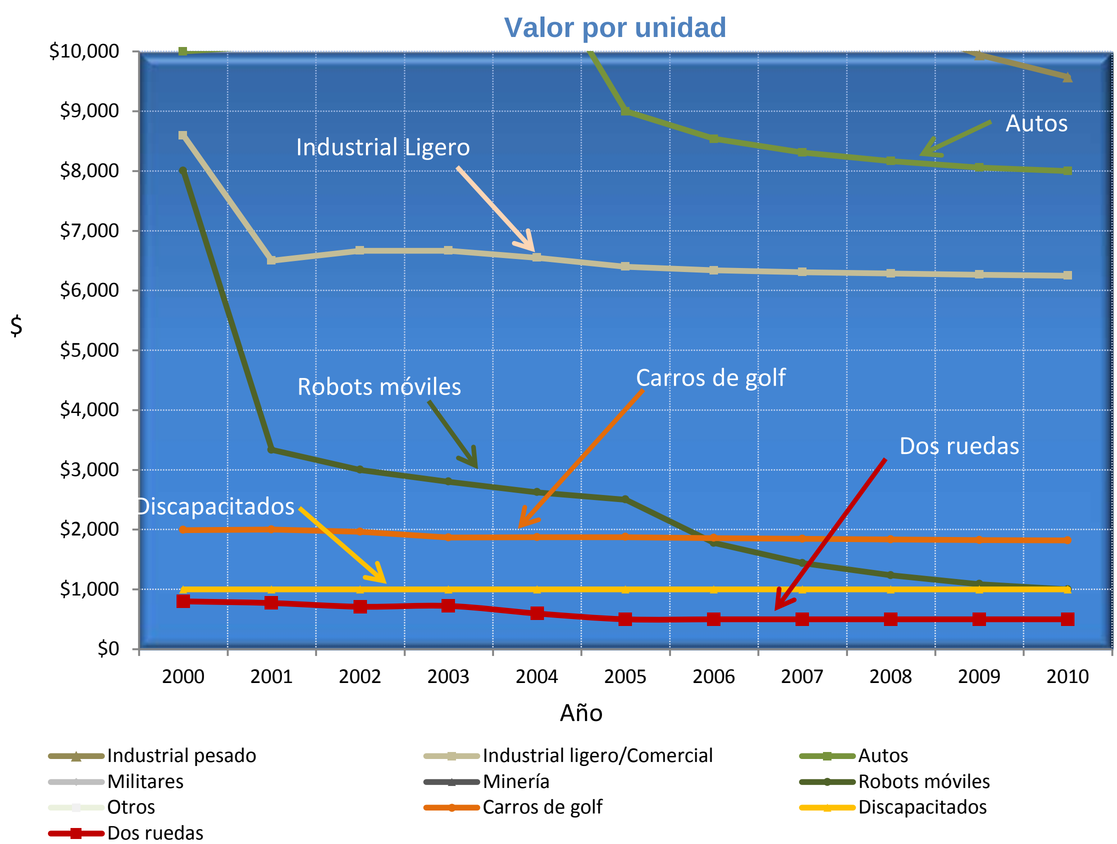
Estimación del valor por unidad para el mercado de vehículos eléctricos.

	2000	2001	2002	2003	2004	2005
Ind. pesado	$12,174	$12,083	$12,280	$12,784	$12,813	$12,885
Ind. ligero/Comercial	$8,594	$6,500	$6,667	$6,667	$6,548	$6,400
Discapacitados	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Dos ruedas	**$800**	**$771**	**$710**	**$723**	**$596**	**$500**
Carros de golf	**$1,992**	**$2,000**	**$1,964**	**$1,867**	**$1,873**	**$1,875**
Autos	$10,000	$10,100	$13,333	$15,000	$11,472	$9,000
Militares	$90,000	$105,000	$120,000	$100,000	$102,250	$100,000
Minería	$220,000	$230,000	$166,667	$223,333	$263,333	$250,000
Robots móviles	$8,000	$3,333	$3,000	$2,800	$2,625	$2,500
Otros	$15,333	$20,000	$14,706	$20,000	$19,818	$20,000

	2006	2007	2008	2009	2010
Ind. pesado	$11,837	$11,093	$10,502	$9,941	$9,571
Ind. ligero/Comercial	$6,337	$6,306	$6,284	$6,265	$6,250
Discapacitados	$1,000	$1,000	$1,000	$1,000	$1,000
Dos ruedas	**$500**	**$500**	**$500**	**$500**	**$500**
Carros de golf	**$1,858**	**$1,846**	**$1,835**	**$1,824**	**$1,818**
Autos	$8,539	$8,309	$8,166	$8,060	$8,000
Militares	$100,000	$98,250	$96,000	$94,200	$100,000
Minería	$225,000	$246,400	$265,800	$237,833	$250,000
Robots móviles	$1,776	$1,437	$1,234	$1,086	$1,000
Otros	$20,192	$20,222	$20,214	$20,172	$20,000

Se resaltan en negritas los mercados en que tiene participación ZAP
Datos interpolados a partir de los datos de la ilustraciones 6 y 7 del caso, cuya fuente original fue Peter Harrop,"Electric Vehicle Markets, Players and Forecast", www.footnoteanalysis.com

Tabla 12



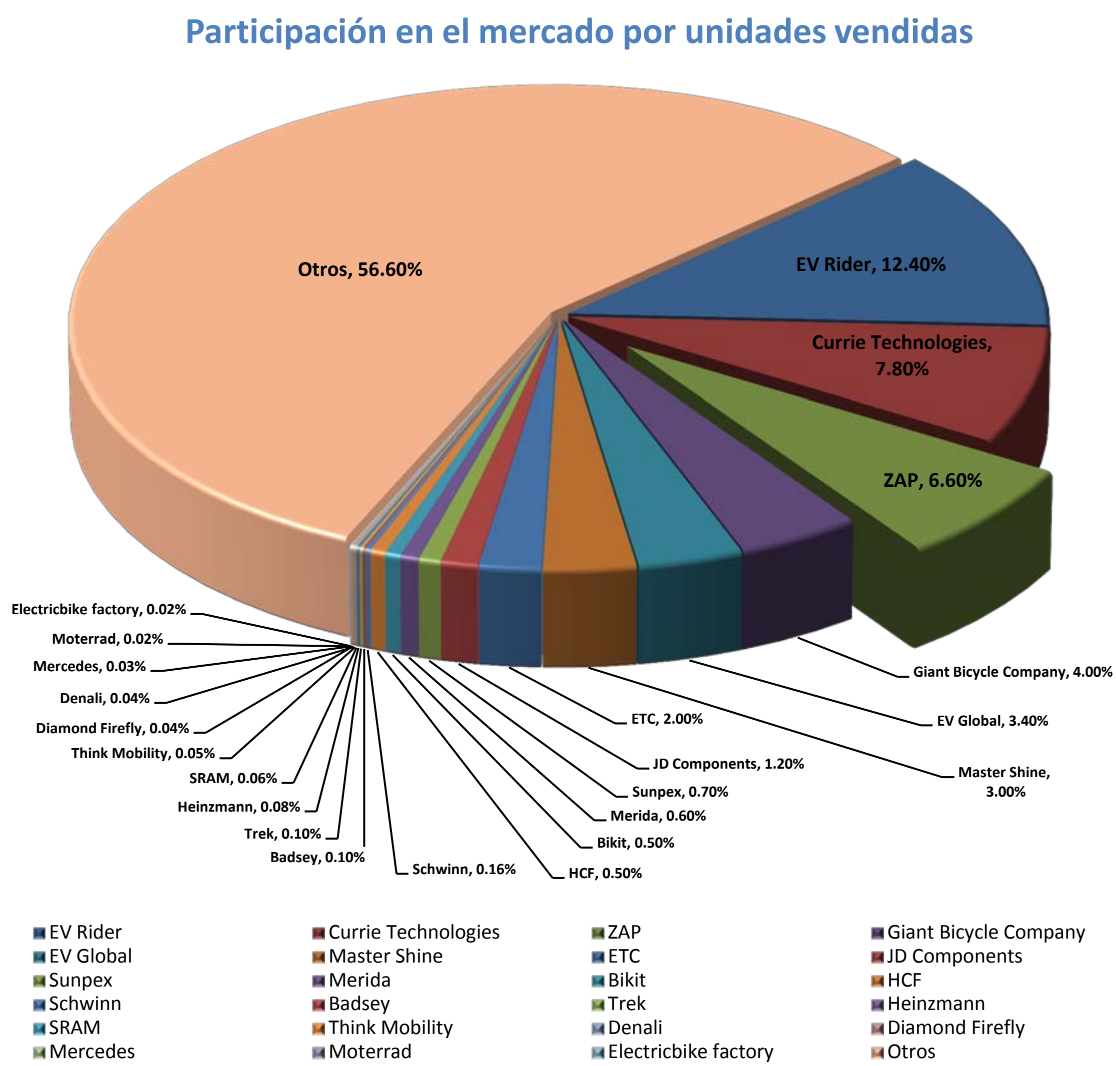
Gráfica 8

Análisis de ZAP en el mercado:

Debido a las grandes expectativas del mercado de Vehículos eléctricos, para finales del año 2000, todos los segmentos se habían tornado fuertemente competitivos.

Muestra de lo anterior es el hecho de que en el segmento de vehículos de 2 ruedas, 23 fabricantes se repartían sólo el 43.8% del total de unidades vendidas a nivel mundial.

Sin embargo, a pesar de la competitividad del segmento, para el cierre del 2000, ZAP se colocó en el 3er lugar de participación por volumen de ventas dentro del segmento de vehículos de 2 ruedas a nivel mundial, logrando colocar 33,000 unidades en el mercado, las cuales representaron el 6.6% de las unidades vendidas a nivel mundial durante dicho año.



Gráfica 9

Es importante recordar que el mercado global de biciclos, se dividía en 2 amplios sectores atendidos por 2 tipos de fabricantes:

> Japón y ½ Europa – Atendido por los grandes fabricantes.
> Estados Unidos, Asia y ½ Europa – Atendido por fabricantes pequeños.

Y que durante los 3 últimos años, la apertura comercial iniciada por China, ha beneficiado claramente a los productores pequeños como ZAP.

Volúmenes de ventas en unidades de biciclos 98 a 2000

	Fabricantes grandes	% del Total	Fabricantes pequeños	% del Total	Total
1998	287,500	77.70%	82,500	22.30%	370,000
1999	220,000	47.30%	245,500	52.70%	465,000
2000	227,500	42.50%	307,500	57.50%	535,000

Fuente: Datos calculados a partir del texto y la ilustración 13 del caso.

Tabla 13

Valor de ventas de biciclos 98 a 2000

	Fabricantes grandes	% del Total	Fabricantes pequeños	% del Total	Total
1998	$188,650,000	81.70%	$42,650,000	18.30%	$231,000,000
1999	$145,000,000	61.00%	$92,500,000	39.00%	$237,500,000
2000	$150,6500,000	56.40%	$116,650,000	53.60%	$267,300,000

Fuente: Datos calculados a partir del texto y la ilustración 14 del caso.

Tabla 14

Además de lo anterior, de acuerdo a los reportes financieros publicados por la empresa, durante los últimos 3 años, la venta de vehículos de 2 ruedas ha conformado entre el 70% y 80% de los ingresos por ventas de la misma, reduciéndose las ventas de Kits para bicicletas de forma sustancial.

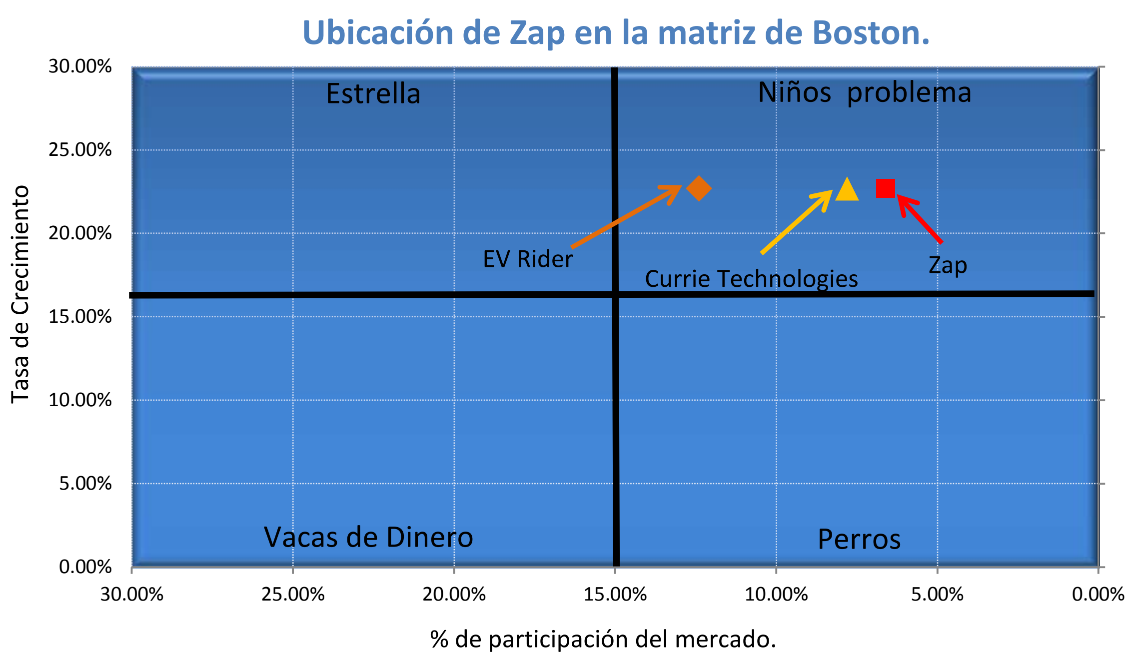
	1995	1996	1997	1998	1999	2000
En moneda						
Ventas Netas	$650,800.00	$1,170,900.00	$1,640,200.00	$3,518,600.00	$6,437,200.00	$12,443,000.00
Por producto						
Kits p' bicicletas	$325,400.00	$585,450.00	$820,100.00	$1,055,580.00	$1,609,300.00	$2,488,600.00
Bicicletas Elect.	$325,400.00	$585,450.00	$820,100.00	$1,231,510.00	$2,253,020.00	$4,355,050.00
Scooters				$1,231,510.00	$2,574,880.00	$5,599,350.00
%						
Kits p' bicicletas	50%	50%	50%	30%	25%	20%
Bicicletas Elect.	50%	50%	50%	35%	35%	35%
Scooters				35%	40%	45%

	1995	1996	1997	1998	1999	2000
En unidades						
Ventas Netas	2,686	4,697	6,386	12,960	23,066	43,084
Por producto						
Kits p' bicicletas	1,564	2,735	3,719	4,674	7,016	10,612
Bicicletas Elect.	1,122	1,962	2,667	3,912	7,045	13,320
Scooters				4,374	9,004	19,152
%						
Kits p' bicicletas	65%	65%	55%	36%	30%	25%
Bicicletas Elect.	35%	35%	45%	30%	30%	30%
Scooters				34%	40%	45%
Precios x unidad						
Kits p' bicicletas	$208.00	$214.00	$220.50	$226.00	$229.00	$234.50
Bicicletas Elect.	$290.00	$298.50	$307.50	$315.00	$320.00	$326.95
Scooters				$281.50	$286.00	$292.00

Las cifras que aparecen en color morado, están calculadas en base a los datos de los reportes financieros de la empresa y de los índices de inflación del sector manufactura publicados por el gobierno de los EUA.

Tabla 15

Sin embargo, a pesar de las altas expectativas de crecimiento y el hecho de ocupar el tercer lugar de participación por volumen dentro del mercado de vehículos eléctricos de 2 ruedas, el análisis en base a la matriz de Boston, considerando que ninguna de las 3 principales empresas tiene una participación mayor al 30% del mercado, muestra que la posición de ZAP en el sector de vehículos de 2 ruedas, tiene grandes debilidades, ubicándose en el área de los niños problema ó incógnitas.



Gráfica 10

Análisis de Valor de ZAP en el mercado accionario:

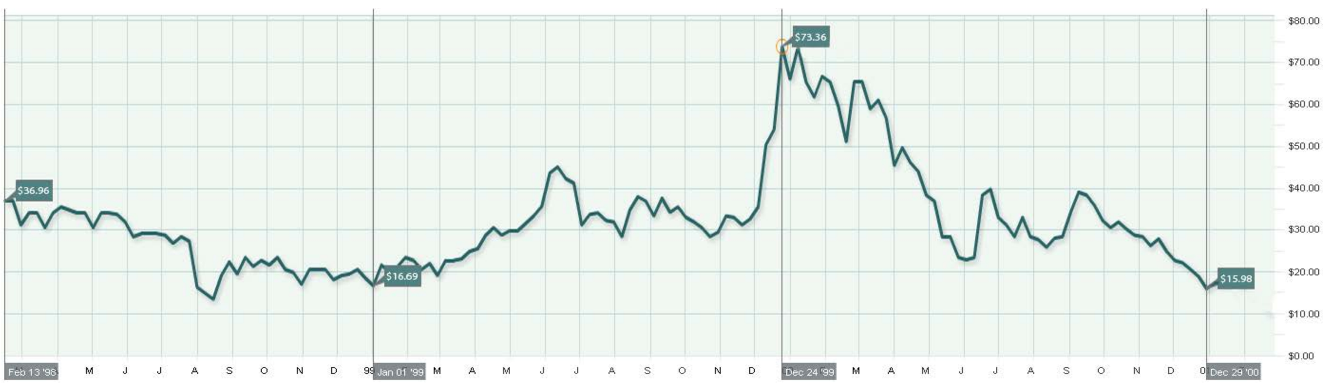
ZAP entró al mercado accionario en el año de 1996, emitiendo 100,000 acciones, las cuales se colocaron a un precio promedio de $5.74 dólares la acción.

Durante el año del 1997 el valor de la acción se incrementó considerablemente debido a las expectativas que se tenían de la industria.

A inicios de 1998, el valor por acción de ZAP (ZAAP) era de unos $35.00 dólares.

Para fines de 1999, la acción logró su máximo histórico de $73.86

Sin embargo durante el año 2000, el valor en la bolsa de N.Y. fue reduciéndose, hasta cerrar el año en los$15.98 dólares.



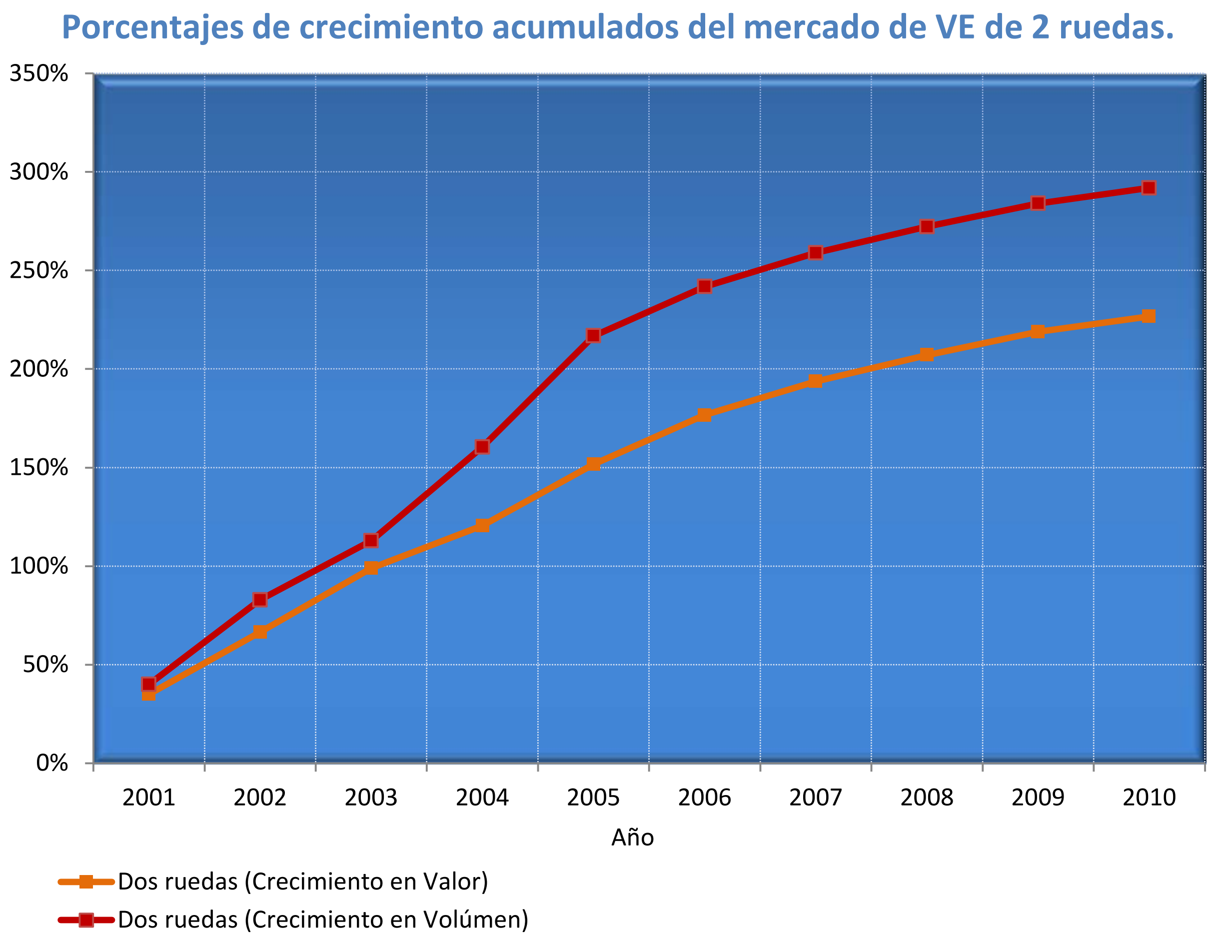
Market Watch, The wall Street Journal. (Feb. 1998 a Dic. 2000)
http://www.marketwatch.com/investing/stock/ZAAP/charts?chartType=interactive&countryCode=us
Consulta el martes 11 de enero de 2011.

Gráfica 11

Datos obtenidos del análisis del mercado:

Existen factores externos del mercado muy favorable: presiones ambientalistas, incremento de precio del petróleo, apertura de mercados y crecimiento de la economía.

Dentro del mercado de vehículos eléctricos, el segmento de 2 ruedas muestra una fuerte tendencia de crecimiento, siendo el de mayor tendencia en cuanto a volumen y el tercero en cuanto a valor.



Gráfica 12

Las proyecciones indican que el crecimiento del segmento de dos ruedas, se irá desacelerando durante la década 2000-2010 y probablemente se estabilice durante la siguiente década.

El segmento de carros de golf muestra tendencias sutiles de crecimiento tanto en volumen como en valor, presentando indicios de ser un segmento maduro que está en una etapa de estabilización.

Ambos segmentos muestran tendencias a la baja con respecto al valor por unidad.

El segmento de 2 ruedas continuará o incluso se tornará más competitivo que en la actualidad, debido a la tendencia de crecimiento en volumen en combinación con la tendencia de reducción de precios por unidad. Habrá que producir más y vender más barato.

A pesar de que ZAP ocupa el tercer lugar de participación por volumen en el mercado, la realidad es que su volumen de ventas representa alrededor del 50% del volumen vendido por EV Rider, líder del mercado, lo cual muestra que la empresa no está logrando la penetración deseada.

La porción del mercado del 56.6% ocupada por otras empresas cuyo participación es muy pequeña, representa una gran oportunidad de crecimiento.

Las tendencia en la conformación de las ventas, muestra claros indicios de que existe una preferencia en el mercado hacia la compra de soluciones completas y no componentes sueltos (Kits para bicicleta tradicional).

La matriz de Boston muestra que la participación actual de mercado es muy baja, lo que representa un grave problema para la empresa, sin embargo el hecho de que ninguna empresa esté en otros cuadrantes, es una gran oportunidad para colocar a la marca en los productos estrella.

El comportamiento de las acciones en el mercado de bolsa, muestra que la empresa ha logrado mantener el valor de sus acciones en la franja de los $15.00 a $30.00 dólares, con la excepción de diciembre del 99 donde la acción incrementó drásticamente su precio, llegando hasta los $73.00 dólares.

El incremento de precio de la acción coincide con las fechas en que se compró EV Systems y se firmó el acuerdo con ZEV, para después comenzar una caída de precio a lo largo de todo el año 2000, la cual llevó el precio de la acción hasta los $15.98, el precio más bajo desde principios de 1999.

4. DIAGNOSTICO GLOBAL DE LA EMPRESA

a. Análisis de Fortalezas, Oportunidades, Debilidades y Amenazas. FODA.

Ámbito interno

Fortalezas:

Cinco años de desarrollo de trenes motrices eléctricos de baja velocidad y bajo alcance.
Acuerdos comerciales con empresas de prestigio: The Sharper Image, Smith & Wesson, Evercel y Lucas Films.
Amplia gama de productos propios y de terceros.
Acuerdo Ningbo Topp Industrial Company Ltd, el cual abre las puertas de China.
El incremento en ventas netas, el cual ha sido de más del 1800% en 5 años.
La capacidad de desarrollar tecnología, patentes e investigaciones.
La empresa tiene excelentes condiciones de liquidez. 3.4 en la razón de Acido.
La empresa tiene buenas capacidades de endeudamiento que no han sido aprovechadas.

Debilidades:

ZAP sólo integra partes fabricadas por terceros para conformar sus trenes motrices, no desarrolla dichos componentes.
No existe una investigación de mercado seria, donde se analice realmente los deseos y aspiraciones del mercado.
El crecimiento de la gama de productos sin un objetivo claro y un mercado definido.
Ambigüedad en el canal de distribución debido al desconocimiento del mercado.
El manejo financiero de la empresa es muy malo, empeorando año con año, los montos de efectivo, inventario y cuentas por cobrar al cierre del 2000 son demasiado altos.
No se tiene una estrategia de financiamiento para el negocio, los pasivos a corto plazo en años anteriores fueron demasiado elevados y al cierre del año 2000, la empresa basa su financiamiento en la emisión de acciones, provocando que el 85% del pasivo recaiga en el capital.
Los costos de producción son muy altos. 63.17% de las ventas netas.
Los gastos de operación son muy altos. 54.06% de las ventas netas.
La operación y eficiencia de la empresa se ha ido deteriorando, todas las razones financieras de estos rubros han empeorado a lo largo de los últimos 5 años.

Ámbito externo:

Oportunidades:
Los aumentos de precio de los combustibles, aumentando las posibilidades de crecimiento del sector y la exploración de nuevos mercados.
Las presiones ambientalistas, aumentando las posibilidades de crecimiento del sector y la exploración de nuevos mercados.
El surgimiento de programas de apoyo gubernamentales para el sector, abriendo la posibilidad de contar con financiamiento y apoyos a tasas atractivas.
La firma del tratado comercial de EUA con China da apertura a un mercado potencial muy grande.
La revaluación del dólar vs euro probablemente llevará a reducciones en la tasa de financiamiento.
Las expectativas de crecimiento del sector de 2 ruedas de los vehículos eléctricos, son muy favorables para los próximos 10 años, manteniendo tasas de crecimiento entre el 30% y el 50% anual.
La disminución de compras de kits para bicicletas es indicador de que el mercado busca soluciones integrales (completas).
Existe un 56.6% de participación de mercado atomizado en pequeñas empresas, cuya participación puede ser fácilmente tomada.

Amenazas:
La competencia tiene canales de distribución de mucho prestigio como Target y Toys “R” Us.
La incursión de las empresas automotrices en el sector, sobre todo por los grandes montos de capital con que cuentan para investigación y desarrollo.
La incursión de las empresas productos de bicicletas tradicionales, por su reconocimiento dentro del sector.
El fortalecimiento del dólar vs euro dificultará la exportación de productos, debido al encarecimiento de la moneda.
Las proyecciones de crecimiento del sector de 2 ruedas de vehículos eléctricos, llevarán a una reducción de los precios de mercado.
La participación de mercado en el segmento 2 ruedas, es muy baja, aún cuando se ocupa el 3er lugar, lo cual muestra que el sector realmente está atomizado en sectores más pequeños.
El comportamiento del valor de la acción en bolsa, en los 2 últimos trimestres del 2000, muestra que los inversionistas no están de conformes con el rumbo actual del negocio.

5. PLANTEAMIENTO DE LA PROPUESTA DE SOLUCIÓN.

a. Cuestionamientos del Caso.

El caso analizado, “ZAP y la industria del vehículo eléctrico”, propone las siguientes preguntas básicas:

¿Debería la compañía aumentar significativamente la producción para enfrentar un alza intempestiva y efímera en la demanda, o debería de seguir una ruta de crecimiento controlada?

La producción debería incrementarse de forma controlada. Los últimos estados financieros (2000), muestran que la empresa tiene costos de producción altos y sobre todo gastos de administración muy elevados. Estos últimos dejan ver que la empresa está produciendo en un nivel por debajo de su punto de equilibrio, o existen gastos administrativos ineficientes.

La empresa deberá por lo tanto incrementar la producción hasta el punto de equilibrio actual, satisfaciendo con ello un porcentaje de la demanda intempestiva existente, al mismo tiempo que logrará iniciar el saneamiento de sus finanzas mediante la reducción de gastos administrativos y costos de ventas.

La siguientes tabla, muestran la proyección de estados financieros de la empresa, considerando un crecimiento controlado y la optimización de recursos al reducir costos de ventas y gastos administrativos.

Datos base para la proyección de los estados financieros. (Crecimiento controlado)

	2000	2001	2002	2003	2004
Expectativa de crecimiento del sector. (Valor monetario)		35.00%[2]	31.50%[2]	32.40%[2]	21.70%[2]
Crecimiento proyectado		10%	10%	10%	10%
Reducción proyectada del porcentaje de las ventas que son costo de las mismas.		-3.30%	-3.30%	-3.30%	-3.30%
Porcentaje de las ventas que son costo de las mismas.	63.16%*[1]	59.90%	56.60%	53.30%	50.00%
Reducción proyectada del porcentaje de las ventas que son gastos de administración.		-2.50%	-2.50%	-2.50%	-2.00%
Porcentaje de las ventas que son gastos de administración.	49.50%[1]	47.00%	44.50%	42.00%	40.00%

[1] Porcentajes reales obtenidos de los estados financieros de la empresa.

[2] Porcentajes obtenidos de los datos del estudio de Peter Harrop contenidos en el Estudio de caso “ZAP y la industria del vehículo eléctrico”

Tabla 16

Proyección de los estados financieros. (Crecimiento controlado)

Balance general	Reales	Proyección			
Activos	2000	2001	2002	2003	2004
Activo Circulante					
Efectivo	$3,543,000.00	$1,746,144.6 1	$555,040.04	$315,268.71	$976,781.22
Valores negociables	$696,000.00	$348,000.00	$174.000.00	$34,800.00	$13,920.00
Cuentas por cobrar	$1,613,000.00	$1,774,300.00	$1,951,730.00	$2,146,903.00	$2,361,593.30
Inventarios	$2,898,000.00	$3,022,876.77	$3,141,975.09	$3,254,664.30	$3,358,471.61
Activo Circulante total	$8,750,000.00	$6,882,876.39	$5,822,745.13	$5,751,636.01	$6,710,766.52
Activos Fijos					
Activos Fijos brutos	$4,640,000.00	$5,310,555.00	$5,989,344.43	$6,676,488.84	$7,372,110.98
Depreciación Acum.	$563,000.00	$1,131,630.00	$1,705,946.30	$2,286,005.76	$2,871,865.82
Activos Fijos netos	$4,077,000.00	$4,178,925.00	$4,283,398.13	$4,390,483.08	$4,500,245.16
Activo total	$12,827,000.00	$11,070,246.39	$10,106,143.26	$10,142,119.09	$11,211,011.28
Pasivos					
Pasivo Circulante					
Proveedores	$398,000.00	$415,150.09	$431,506.59	$446,982.88	$461,239.37
Pasivo bancario	$1,298,000.00	$1,168,200.00	$1,051,380.00	$946,242.00	$189,248.40
Impuestos por pagar	$0.00	$0.00	$0.00	$11,702.04	$325,286.07
Pasivo Circul. total	$1,696,000.00	$1,583,350.09	$1,482,886.59	$1,404,926.92	$975,773.84
Pasivo Largo Plazo					
Pasivo créditos	$95,000.00	$142,500.00	$185,250.00	$24,825.00	$216,742.50
Pasivo arriendo	$31,000.00	$34,100.00	$37,510.00	$41,261.00	$45,387.10
Pasivo LP total	$126,000.00	$176,600.00	$222,760.00	$282,086.00	$262,129.60
Pasivo Total	$1,822,000.00	$1,759,950.09	$1,705,646.59	$1,687,012.92	$1,237,903.44
Capital					
Acciones Comunes	$19,117,000.00	$19,117,000.00	$19,117,000.00	$19,117,000.00	$19,117,000.00
Acciones Preferentes	$1,812,000.00	$1,812,000.00	$1,812,000.00	$1,812,000.00	$1,812,000.00
Utilidades retenidas	($8,028,000.00)	($9,924,000.00)	($11,627,148.70)	($12,501,198.58)	($11,714,893.00)
Utilidad del ejercicio	($1,896,000.00)	($1,694,703.70)	($909,799.63)	$27,304.75	$759,00.83
Capital Total	$11,005,000.00	$9,310,296.30	$8,400,496.67	$8,455,106.17	$9,973,107.84
Pasivo T + Capital T	$12,827,000.00	$11,070,246.39	$10,106,143.26	$10,142,119.09	$11,211,011.28
Estado de resultados					
Ventas	$12,443,000.00	$13,687,300.00	$15,056,030.00	$16,561,633.00	$18.217.796.30
Costo de ventas	$7,860,000.00	$8,198,692.00	$8,521,712.98	$8,827,350.39	$9,108,898.15
Utilidad Bruta	$4,583,000.00	$5,488,607.30	$6,534,317.02	$7,734,282.61	$9,108,898.15
Gtos. de operación	$6,164,000.00	$6,433,031.00	$6,699,933.35	$6,955,885.86	$7,287,118.52
Depreciación	$563,000.00	$568,630.00	$574,316.30	$580,059.46	$585,860.06
Utilidad de operación	($2,144,000.00)	($1,513,053.70)	($739,932.63)	$198,337.29	$1,235,919.57
CIF	($248,000.00)	$181,650.00	$169,867.00	$159,330.50	$151,632.67
Utilidad Ant. impuesto	($1,896,000.00)	($1,694,703.70)	($909,799.63)	$39,006.79	$1,084,286.90
Impuestos	$0.00	$0.00	$0.00	$11,702.04	$325,286.07
Utilidad Neta	($1,896,000.00)	($1,694,703.00)	($909,799.63)	$27,304.75	$759,000.83
Pago de dividendos	$0.00	$0.00	$0.00	$27,304.75	$759,000.83

Proyección realizada manteniendo la rotación de clientes, inventarios y proveedores sin cambio con respecto al 2000.

Tabla 17

¿Se sostendrá la demanda o el resurgimiento de los patines provenía sólo de un furor fugaz?

De acuerdo a la investigación de Peter Harrop, es un hecho que la demanda por este tipo de productos continuará en crecimiento, sin embargo el mismo estudio muestra un crecimiento constante, por lo que el crecimiento intempestivo reciente debe considerarse sólo como un boom fugaz, "moda", con una alta probabilidad de no mantenerse constante al largo plazo.
Por lo tanto es importante aprovechar dicho incremento, pero manteniendo un crecimiento que no exponga la continuidad de la empresa, sobre todo porque las condiciones financieras y operativas actuales de la empresa no permiten aprovechar al máximo dicho boom.

¿Qué posición podrían ocupar las bicicletas y patines eléctricos en un mercado en desarrollo para el transporte alternativo?

Para contestar esta pregunta, es necesario que la empresa invierta en una investigación de mercado específica, actualmente sólo se cuenta con información genérica, donde se parte del supuesto, que el mercado tradicional de bicicletas y patines adoptará las tecnologías de propulsión eléctrica, lo cual no es necesariamente verdadero y no existen datos concretos que permitan afirmar dicho supuesto.

¿Cómo repartir los recursos de ZAP entre sus productos insignia del patín y la línea de productos restante?

Partiendo del comportamiento histórico de composición de ventas de la empresa, la repartición de los recursos debe incrementarse sobre los scooters, cuyas ventas por volumen se han incrementado desde que se introdujeron en el año de 1998.

	1995	1996	1997	1998	1999	2000
Kits p' bicicletas	65%	65%	55%	36%	30%	25%
Bicicletas Elect.	35%	35%	45%	30%	30%	30%
Scooters				34%	40%	45%

Tabla 18

Paralelo a ello se debe de considerar que la venta de bicicletas continuará conformando aproximadamente el 30% del volumen de ventas y probablemente los kits de motores para bicicletas continuarán en descenso.

Será indispensable que la empresa invierta dinero en investigaciones de mercado con el fin de identificar claramente los segmentos de mercado que atenderá, esto con el fin de poder determinar qué productos deben conservarse ó eliminarse del portafolio de productos actual, así como que productos deberán transformarse con el fin de satisfacer las necesidades de segmentos de mercado más específicos.

¿Qué estrategia de precios debería seguir la empresa: penetración ó descremado?

Para poder establecer la estrategia de precios sobre la que debe seguir la empresa, es importante considerar los siguientes aspectos:

El mercado de las bicicletas y monopatines eléctricos, es un mercado de nuevo desarrollo y por lo tanto puede considerarse de nicho.

Gracias a aparición de sus productos en programas de TV de gran popularidad, la marca ZAP ha logrado un nivel alto de reconocimiento de marca.

Las finanzas de la empresa presentan problemas en la relación de los ingresos por ventas y los costos de producción y gastos de operación.

Las proyecciones de mercado del sector indican crecimientos de valor y volumen para el segmento, pero también muestran una disminución en los precios de venta.

Por lo anterior es recomendable que la empresa establezca la estrategia de descremado, aprovechando el reconocimiento de marca que ha logrado, asumiendo una posición de nivel superior en calidad y rendimiento con respecto a su competencia y permitiéndose lograr una mejor relación de sus ingresos por ventas contra sus salidas por costos y gastos.

b. Alternativas propuestas.

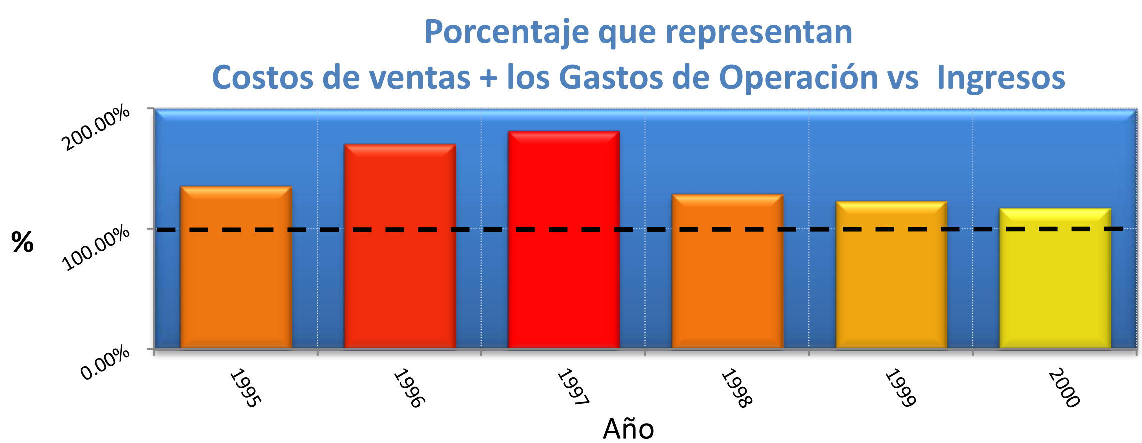
Las respuestas a las cinco preguntas del capítulo anterior en conjunto con la información presentada a lo largo de él presente trabajo, permiten determinar la problemática que enfrenta ZAP inicios del año 2001.

ZAP es una empresa desarrolladora de tecnología e implementadora de la misma; cuyos productos son exitosos, considerados de buena calidad y buen precio, en un sector de mercado extremadamente joven y hasta cierto punto desconocido.

La empresa comienza a tener problemas financieros, ocasionados ineficiencias productivas y administrativas que generan costos de producción y gastos de administración demasiado altos, al mismo tiempo que no existe una estrategia de financiamiento, lo cual ha llevado a la empresa a sostenerse exclusivamente mediante la emisión de acciones, degradando con ello el valor de las mismas.

Por lo anterior, por medio de él presente trabajo propongo cuatro líneas de acción que la empresa debe realizar, con el fin de posicionarse estratégicamente en el mercado de vehículos eléctricos al mismo tiempo que permitirán equilibrar las finanzas de la empresa con el fin de lograr su permanencia en el tiempo.

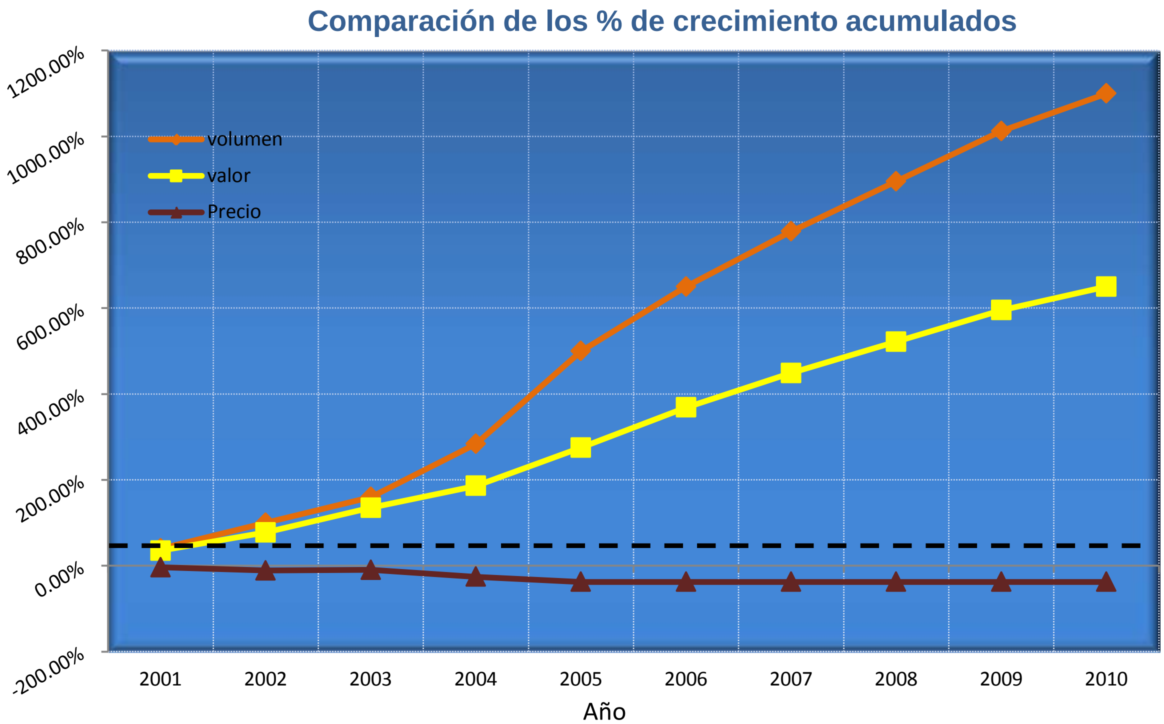
1. Equilibrar la proporción de los gastos de operación y costos de ventas vs los ingresos por ventas de la empresa, debido a que la empresa no puede continuar ocupando %112.00 de sus ingresos para operar y producir sus productos.



Grafica 13

Lo anterior se podrá lograr controlando el crecimiento de la empresa, buscando que ésta opere lo más cercano a su punto de equilibrio, buscando una mejor distribución de los costos fijos y gastos de administración en cada unidad vendida.

Paralelo a lo anterior, la estrategia de precios por descremado permitirá compensar el hecho de que a pesar de que las proyecciones de mercado indican un crecimiento tanto de volumen como de valor del mercado, es un hecho que también indican una disminución en los precios de venta por unidad, en el año 2000 el precio de una unidad era de US$800.00 promedio, mientras que para el año 2010, las proyecciones indican que dicho precio disminuirá hasta por lo menos unos US$500.00



Grafica 14

2. Lograr una eficiencia administrativa y productiva de la empresa, lo que permitirá mejorar las rotaciones inventarios, cuentas por cobrar y cuentas por pagar, las cuales se han ido deteriorando conforme la empresa ha crecido desde el año 1995.

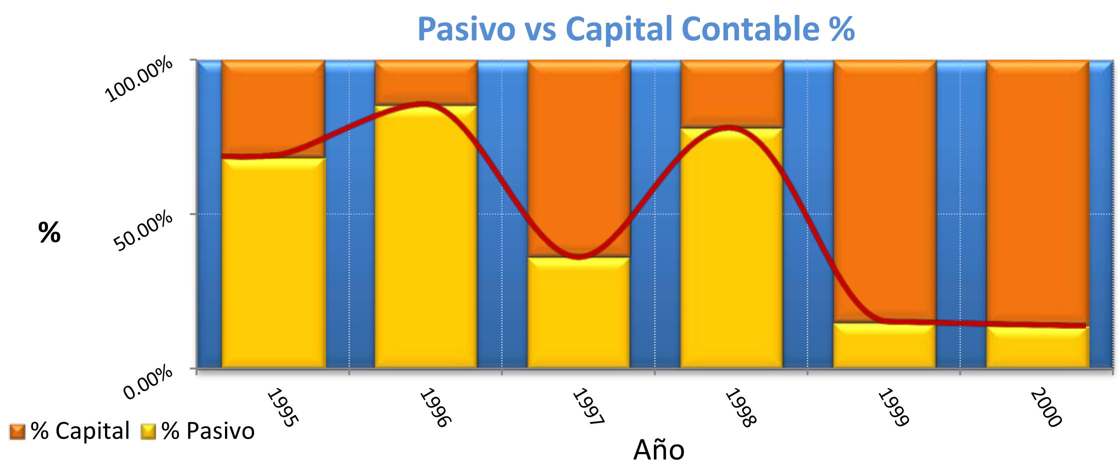
	1995	1996	1997	1998	1999	2000
Días inventarios	48	102	75	95	139	132
Plazo promedio de cobro	17	19	27	30	20	47
Plazo promedio de pago	78	125	45	50	60	18

Tabla 19

Como muestra la Tabla18, es necesario mejorar la relación con proveedores para obtener plazos de pago por lo menos a 30 días, al mismo tiempo que es necesario mejorar los esquemas de cobro y reducir por lo menos el plazo promedio a 30 días ó en el mejor de los casos a 15 días.
Con respecto a los días inventario, es necesario tener mayor velocidad en el desplazamiento del producto, buscando mantener un promedio similar al del año 1997.

3. Establecer una estructura de financiamiento clara para la empresa, acorde al periodo de crecimiento en que la misma se encuentra, es decir, buscar fuentes de financiamiento a largo plazo, ya sea el crédito o la emisión de bonos a largo plazo.

Lo anterior permitirá a la empresa contar con los flujos de efectivo necesarios para que en el corto plazo se comience a generar utilidades y en el mediano plazo se pueda continuar con el desarrollo de productos, asegurando con ello mantener su liderazgo tecnológico.



Grafica 15

4. Continuar con la Investigación y desarrollo de nuevos productos, lo cual permitirá a la empresa mantenerse en un nivel de líder de calidad y rendimiento dentro del mercado, apoyando así la estrategia de precios de descremado.

Debido a que la empresa ha adquirido una importante cantidad de patentes y registros durante los 2 últimos años, la investigación y desarrollo en el corto plazo, debe enfocarse en investigación de mercado, estableciendo claramente el mercado meta (tamaño, crecimiento, determinación de segmentos y valuación de éstos últimos) con el fin de explotar al máximo los productos y tecnología recientemente adquirida.

En el mediano plazo la Investigación y desarrollo deberá regresar al desarrollo de productos, basados en los resultados obtenidos en el corto plazo y concentrándose en mantener el liderazgo tecnológico.

6. COMPROBACIÓN DE LA ALTERNATIVA PROPUESTA.

a. Proyección de estados financieros.

En base a las 4 líneas de acción propuestas en el capitulo anterior, se presenta la proyección de los estados financieros básicos de la empresa considerando la aplicación de dichas acciones.

Datos base para la proyección de los estados financieros.

	2000	2001	2002	2003	2004
Expectativa de crecimiento del sector. (Valor monetario)		35.00%[2]	31.50%[2]	32.40%[2]	21.70%[2]
Crecimiento proyectado		10%	10%	10%	10%
Reducción proyectada del porcentaje de las ventas que son costo de las mismas.		-5.26%	-3.30%	-3.30%	-1.30%
Porcentaje de las ventas que son costo de las mismas.	63.16%[1]	57.90%	54.60%	51.30%	50.00%
Reducción proyectada del porcentaje de las ventas que son gastos de administración.		-5.35%	-2.35%	-2.35%	-1.40%
Porcentaje de las ventas que son gastos de administración.	49.50%[1]	44.15%	41.75%	39.40%	38.00%
Reducción proyectada del Pasivo bancario Corto Plazo		-75.00%	-80.00%	-10.00%	-10.00%
Crecimiento proyectado del Pasivo a Largo Plazo		1000.00%	10.00%	10.00%	5.00%
Tasa libre de riesgo	6.20%[3]				
Rendimiento del mercado	30.00%				
Costo del pasivo a CP	13.00%[4]				
Costo del pasivo a LP	10.00%[5]				
Costo del pasivo a LP por arriendo	9.00%[6]				

[1] Porcentajes reales obtenidos de los estados financieros de la empresa.

[2] Porcentajes obtenidos de los datos del estudio de Peter Harrop contenidos en el Estudio de caso "ZAP y la industria del vehículo eléctrico"

[3] Rendimiento del Bono del gubernamental de EUA a 1 año a inicios del año 2000.

[4,5 y 6] Estimados sobre los datos históricos de la tasa líder de préstamo de EUA en el año 2000.

Tabla 20

Balance general	Reales	Proyección			
Activos	2000	2001	2002	2003	2004
Activo Circulante					
Efectivo	$3,543,000.00	$3,173,303.40	$3,321,554.37	$5,346,435.95	$8,068,120.50
Valores negociables	$696,000.00	$348,000.00	$174.000.00	$34,800.00	$13,920.00
Cuentas por cobrar	$1,613,000.00	$1,622,218.89	$1,617,151.56	$1,594,848.57	$1,518,149.71
Inventarios	$2,898,000.00	$2,603,300.26	$2,371,414.45	$2,110,799.52	$1,897,992.51
Activo Circulante total	$8,750,000.00	$7,746.822.54	$7,484,120.38	$9,086,884.03	$11,498,182.73
Activos Fijos					
Activos Fijos brutos	$4,640,000.00	$5,310,555.00	$5,989,344.43	$6,676,488.84	$7,372,110.98
Depreciación Acum.	$563,000.00	$1,131,630.00	$1,705,946.30	$2,286,005.76	$2,871,865.82
Activos Fijos netos	$4,077,000.00	$4,178,925.00	$4,283,398.13	$4,390,483.08	$4,500,245.16
Activo total	$12,827,000.00	$11,925,747.54	$11,767,518.51	13,477,367.11	$15,998,427.89
Pasivos					
Pasivo Circulante					
Proveedores	$398,000.00	$548,572.63	$722,089.60	$904,542.66	$1,138,795.49
Pasivo bancario	$1,298,000.00	$324,500.00	$64,900.00	$58,410.00	$52,569.00
Impuestos por pagar	$0.00	$0.00	$0.00	$250,400.39	$437,616.50
Pasivo Circul. total	$1,696,000.00	$873,072.63	$786,989.60	$1,213,353.05	$1,628,980.99
Pasivo Largo Plazo					
Pasivo créditos	$95,000.00	$1,045,000.00	$1,149,500.00	$1,264,450.00	$1,327,672.50
Pasivo arriendo	$31,000.00	$31,000,00	$31,000,00	$31,000.00	$31,000,00
Pasivo LP total	$126,000.00	$1,076,000.00	$1,180,500.00	$1,295,450.00	$1,358,672.50
Pasivo Total	$1,822,000.00	$1,949,072.63	$1,967,489.60	$2,508,803.05	$2,987,653.49
Capital					
Acciones Comunes	$19,117,000.00	$19,117,000.00	$19,117,000.00	$19,117,000.00	$19,117,000.00
Acciones Preferentes	$1,812,000.00	$1,812,000.00	$1,812,000.00	$1,812,000.00	$1,812,000.00
Utilidades retenidas	($8,028,000.00)	($9,924,000.00)	($10,952,325.09)	($10,544,703.52)	($8,939,330.78)
Utilidad del ejercicio	($1,896,000.00)	($1,028,325.09)	($176,646.00)	$584,267.57	$1,021,105.17
Capital Total	$11,005,000.00	$9,976,674.91	$9,800,028.91	$10,968,564.06	$13,010,774.39
Pasivo T + Capital T	$12,827,000.00	$11,925,747.54	$11,767,518.51	$13,477,367.11	$15,998,427.89
Estado de resultados					
Ventas	$12,443,000.00	$13,687,300.00	$15,056,030.00	$16,561,633.00	$18,217.796.30
Costo de ventas	$7,860,000.00	$7,921,941.83	$8,218,792.63	$8,495,794.16	$9,110,364.01
Utilidad Bruta	$4,583,000.00	$5,766,358.17	$6,837,237.37	$8,065,838.84	$9,107,432.29
Gtos. de operación	$6,164,000.00	$6,044,023.26	$6,290,092.07	$6,524,934.41	$6,926,022.27
Depreciación	$563,000.00	$568,630.00	$574,316.30	$580,059.46	$585,860.06
Utilidad de operación	($2,144,000.00)	($847,295.09)	($27,171.00)	$960,844.96	$1,595,549.97
CIF	($248,000.00)	$181,030.00	$149,475.00	$126,177.00	$136,828.30
Utilidad Ant. impuesto	($1,896,000.00)	($1,028,325.09)	($176,646.00)	$834,667.96	$1,458,721.67
Impuestos	$0.00	$0.00	$0.00	$250,400.39	$437,616.50
Utilidad Neta	($1,896,000.00)	($1,028,325.09)	($176,646.00)	$584,267.57	$1,021,105.17
Pago de dividendos	$0.00	$0.00	$0.00	$584,267.57	$1,021,105.17

Tabla 21

b. Validación de la propuesta.

2001:

Para el año 2001 ZAP decidió continuar con el crecimiento de la empresa buscando mantener precios económicos y satisfacer la demanda creciente de sus productos.

Sin embargo los resultados no fueron los esperados, la reducción de demanda del mercado, provocada por la desaceleración económica y los eventos del 11 de septiembre tuvieron gran repercusión en las ventas del año, además de que se presentaron problemas de abasto por parte de proveedores e incluso el robo de varios contenedores de productos terminados.

Por otra parte se presentó un incremento exponencial en el número de competidores en el mercado y grandes empresas como Sanyo, Susuky, Honda y Yamaha se integraron al sector.

Lo anterior provocó que la empresa encontrara grandes problemas financieros sobre todo de liquides, lo que obligó a llevar a un recorte en sus operaciones.

Para finales del año la empresa había reducido sus instalaciones productivas de 2670m^2 a 1670m^2, además de tener reducir su planta de personal de 81 empleados al cierre del año 2000 a 53 empleados al cierre del año 2001.[16]

Comparación de resultados obtenidos en 2001 vs proyección de acciones propuestas.

Balance general	Resultados obtenidos en 2001	Proyección propuesta 2001
Activos		
Activo Circulante		
Efectivo	$842,000.00	$3,173,303.40
Cuentas por cobrar	$726,000.00	$1,970,218.89
Inventarios	$1,403,000.00	$2,603,300.26
Activo Circulante total	$3,021,000.00	$7,746.822.54
Activos Fijos		
Activos Fijos netos	$897,000.00	$4,178,925.00
Activo total	$3,918,000.00	$11,925,747.54
Pasivos		
Pasivo Circulante total	$3,155,000.00	$873,072.63
Pasivo Largo Plazo		
Pasivo LP total	$530,000.00	$1,076,000.00
Pasivo Total	$3,685,000.00	$1,949,072.63

Datos obtenidos de los estados financieros 10KSB 2001

Tabla 22

[16] Reporte financiero anual de ZAP para el año 2001, http://yahoo.brand.edgar-online.com ZAP (ZAAP) 10KSB 2001

	Resultados obtenidos en 2001	Proyección propuesta 2001
Capital		
Acciones Comunes	$18,101,000.00	$19,117,000.00
Acciones Preferentes	$1,133,000.00	$1,812,000.00
Utilidades retenidas	($9,664,000.00)	($9,924,000.00)
Utilidad del ejercicio	($9,337,000.00)	($1,028,325.09)
Capital Total	$233,000.00	$9,976,674.91
Pasivo T + Capital T	$3,918,000.00	$11,925,747.54

Datos obtenidos de los estados financieros 10KSB 2001

Tabla 23

2002:

El 1 de marzo de 2002, ZAP declara su quiebra voluntaria bajo los lineamientos del capitulo 11 (Chapter 11) de código de bancarrota de los Estados Unidos, quedando en el estatuto de empresa en operaciones como deudor, lo cual le obligó a la restructuración bajo la vigilancia de la corte de bancarrota de los EUA.

El 20 de Junio de 2002, la corte de Bancarrota aceptó el plan de restructuración de ZAP. Dicho plan consistía básicamente en la restructuración de acciones comunes y la conversión de deuda a corto plazo en deuda a largo plazo, además de la autorización de emitir 100 millones de acciones comunes y 50 millones de acciones preferentes, lo que permitió a la empresa tener el capital necesario para continuar sus operaciones.

Durante este año, ZAP adquirió 2 nuevas empresas, esto como parte del plan de restructuración, Voltage Vehicles y RAP Group Inc., ambas distribuidoras de autos eléctricos.

La compra de dichas empresas permitió el crecimiento de las propiedades de la empresa a 2973m^2.

Para el cierre del año 2002 las perdidas alcanzaron los US$2,814,000.00, sin embargo, gracias a la restructuración y emisión de nuevas acciones, la empresa contó con un ingreso extraordinario de US$3, 964,000.00, reflejando un balance positivo de US$1,150,000.00 para cierre de operaciones de dicho año.

Balance general	Resultados obtenidos en 2002	Proyección propuesta 2002
Activos		
Activo Circulante		
Efectivo	$350,000.00	$3,321,554.37
Cuentas por cobrar	$558,000.00	$1,791,151.56
Inventarios	$1,599,000.00	$2,371,414.45
Activo Circulante total	$2,507,000.00	$7,484.120.38
Activos Fijos		
Activos Fijos netos	$1,600,000.00	$4,283,398.13
Activo total	$4,107,000.00	$11,767,518.51
Pasivos		
Pasivo Circulante total	$953,000.00	$786,989.60
Pasivo Largo Plazo		
Pasivo LP total	$142,000.00	$1,180,500.00
Pasivo Total	$1,095,000.00	$1,967,489.60
Capital		
Acciones Comunes	$20,889,000.00	$19,117,000.00
Acciones Preferentes	$1,133,000.00	$1,812,000.00
Utilidades retenidas	($20,160,000.00)	($10,952,325.09)
Utilidad del ejercicio	$1,150,000.00	($176,646.00)
Capital Total	$3,012,000.00	$9,800,028.91
Pasivo T + Capital T	$4,107,000.00	$11,767,518.51

Datos obtenidos de los estados financieros 10KSB 2002

Tabla 24

2003:

Como parte del plan de restructuración, para el 2003 la empresa comenzó la expansión de sus líneas de productos, con lo que inició su incursión en el sector automotriz mediante la importación bajo exclusividad del ZapCar, producido en China y el cual se vendería vía internet y en las concesionarias adquiridas el año anterior.

Imagen 22

Paralelo a esto, se continuó creciendo las líneas de productos anteriores incorporando nuevas variantes y mejoras en los trenes motrices.

A pesar de lo anterior, los resultados generarles continuaron no siendo muy favorables, la empresa sufrió un nuevo recorte de personal, reduciendo su planta laboral a 42 empleados de tiempo completo, sin embargo se realizaron diversos cambios en los inmuebles, ventas, compras y nuevas rentas, que llevaron a un incremento en la infraestructura de la empresa, que a finales del año, contaba con un total de 4678m^2 en sus inmuebles, destacándose la compra de unas nuevas oficinas corporativas de 1860m^2.

2004:

Durante este año, ZAP compró los derechos de exclusividad para la distribución, en Estados Unidos de América, de coches “SMART” a Smart Automobile LLC. Estos coches serían modificados para cubrir con la normatividad americana.

La gama de productos continúo ampliándose y abarcando distintos rubros:

Vehículos: Smart, ZAP Worldcar y ZAP Light utility vehicle.

Transporte personal: Zappy, Zappy3, ZAP seascooter y Powerbike.

Energía: ZAP PE, Microprocesadores de control, Celdas eléctricas.

Imagen 23

Balance general	Resultados obtenidos en 2004	Proyección propuesta 2004
Activos		
Activo Circulante		
Efectivo	$5,354,000.00	$8,068,120.50
Cuentas por cobrar	$5,507,000.00	$1,532,069.71
Inventarios	$2,210,000.00	$1,897,992.51
Activo Circulante total	$13,071,000.00	$11,498,182.73
Activos Fijos		
Activos Fijos netos	$16,754,000.00	$4,500,245.16
Activo total	$29,825,000.00	$15,998,427.89
Pasivos		
Pasivo Circulante total	$11,527,000.00	$1,628,980.99
Pasivo Largo Plazo		
Pasivo LP total	$2,034,000.00	$1,358,672.50
Pasivo Total	$13,561,000.00	$2,987,653.49
Capital		
Acciones Comunes	$63,616,000.00	$19,117,000.00
Acciones Preferentes	$7,500,000.00	$1,812,000.00
Utilidades retenidas	($25,448,000.00)	($8,939,330.78)
Utilidad del ejercicio	($29,404,000.00)	$1,021,105.17
Capital Total	$16,264,000.00	$13,010,774.39
Pasivo T + Capital T	$29,825,000.00	$15,998,427.89

Datos obtenidos de los estados financieros 10KSB 2002

Tabla 25

Estado de resultados	Resultados obtenidos en 2004	Proyección propuesta 2004
Ventas	$4,772,000.00	$18,217,796.30
Costo de ventas	$3,679,000.00	$9,110,364.01
Utilidad Bruta	$1,093,000.00	$9,107,432.29
Gtos. de operación	$18,319,000.00	$6,926,022.27
Depreciación	$1,030,000.00	$585,860.06
Utilidad de operación	($18,256,000.00)	$1,595,549.97
CIF	($9,510,000.00)	$136,828.30
Utilidad Ant. impuesto	($27,829,000.00)	$1,458,721.67
Impuestos	($5,000.00)	$437,616.50
Utilidad Neta	($27,834,000.00)	$1,021,105.17
Pago dividendos	($1,570,000.00)	$1,021,105.17

Datos obtenidos de los estados financieros 10KSB 2004

Tabla 26

2005 al 2012

Desde el año 2005 ZAP ha continuado su crecimiento, centrando su financiamiento en la emisión de acciones de bolsa y la conversión de deuda, lo que le ha permitido continuar en operaciones a pesar de la falta de generación de utilidades.

	2005	2006	2007	2008	2009	2010	2011
Total de activos	14,677	10,816	11,938	9,226	13,779	33,512	121,488
Total de pasivos	7,065	7,806	5,513	7,384	11,705	8,732	65,893
Ventas netas	3,602	10,830	5,712	7,588	4,068	3,816	56,267
Utilidad Bruta	341	525	775	799	728	429	4,460
U. Operación	(25,506)	(19,409)	(26,808)	(9,352)	(10,187)	(14,096)	(28,273)
Utilidad Neta	(25,501)	(11,915)	(28,006)	(9,807)	(10,687)	(19,018)	(45,422)

Datos obtenidos de los estados financieros 10KSB 2005 al 2011
Cifras en miles de dólares.

Tabla 27

Dicha estrategia le ha permitido colocarse en el liderazgo del sector automotriz de vehículos eléctricos, incorporando continuamente nuevos modelos como el Zebra en el año 2006, el Zap truck y ZAPVAN en 2008 y recientemente los modelos Jonhway A-380 en versión 5 y 3 puertas.

Por otra parte a pesar de que en 2005 dejó de importar los vehículos SMART de Daimler Chrysler, en 2007 inició una colaboración con Lotus para la creación de un vehículo eléctrico de alto rendimiento, hoy denominado ZAP ALIAS.

Estos desarrollos permitieron que en 2009 obtuviera el contrato por parte del US Mail para convertir todos sus vehículos de reparto en propulsión eléctrica.

Por último en 2011 se adquirió 51% de la empresa china Zhejian Jonhway Automovil Co. Ltd., fabricante de vehículos eléctricos en China que permitirá satisfacer la demanda de Taxis de propulsión eléctrica en ese país y que es la propietaria intelectual de los modelos A-380.

c. Conclusiones.

De acuerdo a los datos presentados en la validación de la propuesta, es claro que la alternativa presentada, probablemente hubiese permitido a ZAP continuar su desarrollo en un marco de mayor estabilidad y de crecimiento continuo, prueba de ello es la quiebra que sufrió la empresa en el año 2002, consecuencia de la decisión que se tomó de continuar el crecimiento acelerado y buscar satisfacer una demanda cuya duración era difícil de predecir en aquel momento.

Como se observa en las proyecciones, la alternativa propuesta hubiese permitido que la empresa superara las perdidas en un plazo de tres años y generara utilidades a partir del cuarto año, brindando mayor solidez a la empresa y permitiéndole con ello obtener mayores fuentes de financiamiento para buscar un crecimiento aun mayor en los años siguientes.

Es importante hacer notar, que si bien ZAP, logró salir de la quiebra en 2002 y continuar operaciones hasta el día de hoy, esto se debe básicamente a 2 hechos o factores que han favorecido el desarrollo del negocio:

1. Incursión en el segmento automotriz: Hasta finales del año 2001 ZAP no había tenido mayor participación dentro de dicho segmento, básicamente era una empresa de bicicletas y vehículos recreativos, es en el 2003 cuanto se transforma en una empresa automotriz (que además vende bicicletas) con la importación de coches desde China.

   Este cambio de segmento, permite a la empresa encontrar una dinámica muy diferente, la cual le permitió establecer alianzas y contratos importantes, que si bien no lograron convertir el negocio en lucrativo, le han permitido ser atractivo para la inversión.

2. La creciente expectativa del mercado automóviles eléctricos: La última década se ha caracterizado por el incremento en la preocupación ambiental, industrias verdes, se vislumbran como grandes potenciales de inversión a largo plazo.

   El sector de automóviles eléctricos es precisamente uno de los sectores que se presentan con mayores expectativas ante la inminente necesidad ambiental de dejar a un lado los combustibles fósiles.

   Empresas cuya operación y rentabilidad es cuestionable, son atractivas al inversionista a largo plazo, partiendo de la idea de que las perdidas actuales se convertirán en utilidades futuras, tal es el caso de ZAP, que ha pesar de 17 años con perdidas continuas, continua encontrando fuentes de inversión que le han permitido continuar sus operaciones hasta el día de hoy.

Si analizamos estos dos factores, podemos notar que ambos son externos a la empresa y si bien han permitido hasta hoy continuar las operaciones del negocio, es un hecho que la empresa sigue teniendo deficiencias operativas y administrativas, prueba de ello es la falta de utilidades desde su creación hace 17 años.

Por lo tanto considero que las 4 acciones de la alternativa propuesta en el presente trabajo, son aun aplicables a la situación actual de la empresa:

1. Equilibrar la proporción de gastos de operación y costos de venta vs los ingresos obtenidos por concepto de ventas.

2. Eficientizar tanto la producción como la administración del negocio, principalmente mejorando el control de inventarios y la administración de pagos y cobros del negocio.

3. Establecer la estructura financiera del negocio de forma estable y con una visión a largo plazo.

4. Continuar con la investigación y desarrollo de nuevos productos que actualicen o sustituyan a los actuales en un tiempo no mayor a dos años.

La ejecución de dichas acciones permitiría a la empresa, contar con una estructura financiera más sana y aprovechar al máximo las oportunidades de financiamiento que ofrece el sector.

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ANEXOS.

a. Estados financieros 1996.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

(Mark One)

X ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(Fee Required)

For the fiscal year ended December 31, 1996
TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(No Fee Required)

For the transition period from __________ to ____________

Commission file number ____________

ZAP POWER SYSTEMS
(Name of small business issuer in its charter)

CALIFORNIA	94-3210624
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
117 Morris Street, Sebastopol, California	95472
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (707) 824-4150

Securities registered under Section 12(b) of the Exchange Act:

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

Securities registered under Section 12(g) of the Exchange Act:

None

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10KSB.

State issuer's revenues for its most recent fiscal year $1,170,900

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act).

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

There is no public market for the Company's common stock.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 2,076,500 shares of common stock as of December 31, 1996.

TABLE OF CONTENTS

PART I

Part I

Item 1. Description of Business

Business Development

The Company was incorporated under the laws of the state of California, on September 23, 1994.

The Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, and other low-power electric transportation vehicles.

During 1994 the Company began to develop an electric bicycle system for the consumer market. The Company entered into a contract with a High Technology Development, a Singapore based company, to develop an electric bicycle for the country of Thailand. The Company, in cooperation with Systronics a U.S. Company, developed a product that would be built and sold in Thailand. The Company was paid for a technology transfer and ongoing research and development work on the product. The Thailand project was terminated in the middle of 1995.

On February 13, 1996, the Company was issued a United States Patent on its electric bicycle motor system (Patent #5,491,390).

During the second half of 1995 the Company began to develop a marketing and production strategy for the United States. It signed a sales agreement to sell bicycles through Real Goods Trading Company's mail order catalog. In the first quarter of 1996 the Company developed a Web Site on the World Wide Web allowing customers to buy the bicycles through the internet. In the second quarter of 1996 the Company entered into a contract with Power Biking Inc., an entity formed to sell electric bicycles through auto dealerships, to enroll auto dealers in North America to sell the Company's bicycles. In April the Company began selling electric bicycles and electric motor kits through the Sharper Image mail order catalog. The Company signed a joint marketing agreement with Movity S.r.l. to sell their electric scooter in the North American market and for Movity S.r.l. to sell the Company's products in Italy and Austria.

In January 1997 ZAP China, a subsidiary of which the Company owns 50% , signed an agreement with Forever Company to sell up to 5,000 motor units. Forever Company will assemble these motors on their bicycles and then sell the completed bicycle in China.

In March 1997 the Company signed a letter of intent to purchase the assets of Movity S.r.L. for a combination of common stock and cash totaling $500,000. Movity manufactures and sells an electric motor scooter into the European market.

Although the Company is registered with the Securities and Exchange Commission, there was no trading in the Company's stock through the end of 1996. The Company initiated an Direct Public Offering of its public shares November 29, 1996 at a price of $5.25 per share. The Company is currently not traded on an exchange.

Business of Issuer

The Company manufactures an electric motor system that is sold as a kit to be installed by the customer on their own bicycle. The Company also installs the motor system on bicycles which the Company buys. The Company then sells the complete electric bicycle to the customer. The Company purchases complete bicycles from various bicycle manufacturers for use with the Company's electric motor system. The Company manufactures the electric motor kit which has approximately 62 unique parts. The electric motor kit manufacturing and installation of the motor systems to the bicycles is done at its Sebastopol location. The electric motors are purchased from an original equipment manufacturer (OEM) in the auto and air-conditioning industry. The Company is using one company for its motors, although there are other companies that could be used with slight modifications to the motor support brackets. The batteries are standard batteries used in the computer industry for power interrupt systems. The electronic system uses standard electronic components.

The electric motor kits and electric bicycles sold by ZAP are usually shipped by U.P.S. and Federal Express. Larger quantity orders to wholesale distributors are shipped common carrier. Overseas shipments are shipped by Ocean carrier or air freight. The Company has developed long term purchase arrangements with its key vendors. The Company has no contractual relationships with any of its vendors.

The Company's growth strategy is to increase net sales by augmenting its marketing and sales force, and by increasing distribution channels through retail organizations and wholesale distributors both domestically and overseas. The Company will continue to increase its production capability to meet the increasing demand for its product. The Company will continue to develop the product so that it is the low cost leader in the industry. Product improvements and new product introductions will continue to enlarge ZAP's presence in the electric vehicle industry.

The electric bicycle industry has three major manufacturers (3) and a large group of small manufacturers (30 plus). The major manufacturers are Honda, Suzuki, and Yamaha. They mainly sell products into Japan and China. The other group of manufacturers are much smaller in size and sales volume. These manufacturers have products that sell into the U.S., European, and Asian markets. The Company does not consider electric bicycle industry sales numbers very accurate at this point in time. As such, the Company's position in terms of sales volumes is impossible to determine.

Item 2. Description of Property

The Company leases its manufacturing and office facility at 117 Morris Street, Sebastopol, Ca. The Company's property consists primarily of manufacturing equipment and office computer systems. The monthly lease payment is $4,400 per month. The landlords are Daniel O. Davis and Robbin H. Davis. It is management's opinion that the Company's insurance policies covers all insurance requirements of the landlord. The lease expires June 1, 1998 with a renewal option for two additional five year periods.

As of December 31, 1996 the Company has 30 full-time and 5 part-time employees. All these employees work at the Company's Sebastopol, California location.

Item 3. Legal Proceedings

There were no material proceedings pending in 1996 in which the Registrant was named as a party.

Item 4. Submission of Matters to a Vote of Security Holders

The Company called a special shareholders meeting October 8, 1996. A total of 1,754,490 shares (82.5%) were present or represented by proxy at the meeting to vote on the following issues;

Election of James McGreen, Gary Starr, Nancy Cadigan, Lee Sannella and Jessalyn Nash to the board of directors. For 1,754,490 Against 0 Abstained 0

Amend the Articles of Incorporation to increase authorized shares from one million to ten million shares of common stock. For 1,745,490 Against 7,500 Abstained 1,500

Authorize a three for one stock split. For 1,754,490 Against 0 Abstained 0

Authorize the 1996 Stock Option Plan. For 1,676,490 Against 7,500 Abstained 70,500

Approve the appointment of Moss Adam LLP as the independent auditors for the Company for 1996. For 1,715,490 Against 7,500 Abstained 31,500

Waive the notice and meeting requirements set forth in the Bylaws prior to the meeting of October 8, 1996. For 1,702,490 Against 8,010 Abstained 43,500

Ratify all actions previously taken by the Board of Directors. For 1,703,490 Against 7,500 Abstained 43,500

Part II

Item 5. Market for Common Equity and Related Stockholder Matters

Although the Company is registered with the Securities and Exchange Commission, there was no trading in the Company's stock through the end of 1996. The Company initiated a Direct Public Offering of its public shares November 29, 1996 at a price of $5.25 per share. The Company is currently not traded on an exchange.

The number of shares issued of record as of December 31, 1996 is 2,076,500. No dividends of cash or stock have been paid by the Company in the past. The payment of dividends will depend entirely upon the Company's ability to generate sufficient earnings, its financial needs and other unpredictable factors. It is not anticipated that common dividends will be paid in the foreseeable future.

During 1995, a private placement was executed for 144,000 shares of common stock for an average price of $0.94 per share.

During 1996 the Company sold 365,100 shares of common stock for an average price of $1.59. In addition the Company issued 57,400 shares for payment of current and future services at an average price of $3.15 per share.

In October of 1996 the Company started a Direct Public Offering of 500,000 shares of common stock at $5.25 per share.

In December of 1996 the Company issued 10,000 shares to a joint venture (ZAP (China) LLC), of which the Company owns 50%.

As of December 31, 1996 the Company had 202 stockholders.

Item 6. Management's Discussion and Analysis of Plan of Financial Condition and Results of Operations.

Overview

The Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, and other low-power electric transportation vehicles. Historically, unit sales have been approximately 65% kits and 35% electric bicycles. Dollar sales have been 50% kits and 50% electric bicycles.

The Company sells its electric bicycles and kits to retail customers, auto dealerships, bicycle dealerships and mail order catalogs. Net revenue is net of returns. The Company sells to the mail order catalogs and selected customers on credit with net 30 day terms. The car dealerships and bicycle dealerships are sold cash on delivery. The retail sales are primarily paid for with a credit card or personal check before shipment of the product.

During 1994 and 1995 the Company was paid by governmental agencies and private foundations to further develop the electric bicycle to fit into various roles in the US and overseas markets. During this period the Company developed electric motor systems for offshore sales and manufacturing. The Company's work to develop offshore manufacturing abilities for the domestic and foreign markets involved private and public foundations in Thailand and other Asian countries. In addition, the Company worked on the development of an electric police bicycle. Late in the fourth quarter of 1995 the Company began to sell bicycles to retail and wholesale customers as its core business.

The Company manufactures an electric motor system that is sold as a kit to be installed by the customer on their own bicycle. The Company also installs the motor system on bicycles which the Company buys. The Company then sells the complete electric bicycle to the customer. The Company purchases complete bicycles from various bicycle manufacturers for use with the Company's electric motor system. The Company manufactures the electric motor kit, which has approximately 62 unique parts. The manufacturing of the electric motor kit and the installation of the motor systems to the bicycles is done at its Sebastopol location. The electric motors are purchased from an original equipment manufacturer (OEM) in the auto and air-conditioning industry. The Company is using one Company for its motors, although there are other companies that could be used with slight modifications to the motor support brackets. The batteries are standard batteries used in the computer industry for power interrupt systems. The electronic system uses standard electronic components.

The electric motor kits and electric bicycles sold by ZAP are usually shipped by U.P.S. and Federal Express. Larger quantity orders to wholesale distributors are shipped common carrier. The Company has developed long term purchase arrangements with its key vendors. The Company has no contractual relationships with any of its vendors.

The Company's growth strategy is to increase net sales by augmenting its marketing and sales force, and by increasing distribution channels through retail organizations and wholesale distributors both domestically and overseas. The Company will continue to increase its production capability to meet the increasing demand for its product. The Company will continue to develop the product so that it is the low cost leader in the industry. Product improvements and new product introductions will continue to enlarge ZAP's presence in the electric vehicle industry.

Results of Operations

The following table sets forth, as a percentage of net sales, certain items included in the Company's Income Statements (see Financial Statements and Notes thereto elsewhere in this Prospectus) for the periods indicated:

	Years Ended December 31,		
	1994	1995	1996
	--------	--------	--------
Statements of Income Data:			
Net Sales……………………....	100.00%	100.00%	100.00%
Cost of sales…………………...	109.00	67.00	74
Gross profit (Loss)…………….	(9.00)	66.00	26.00
Operating expenses…..……….	110.00	69.00	96.00
Loss from operations…………	(119.00)	(36.00)	(70.00)
Other income (expense)…….....	0.00	34.00	0.00
Loss before income taxes……	(119.00)	(2.00)	(70.00)
Provision for income taxes…..	1.00	1.00	1.00
Net loss……………………….	(120.00)	(2.00)	(70.00)

Year Ended December 31, 1995 Compared to Year Ended December 31, 1996

Net sales for the year ended December 31, 1996, were $1,170,900 compared to $650,800 in the prior year, an increase of $520,100 or 80%. The increase in sales is attributed to the Company's development of the retail sales of its electric bicycles and kits through Auto dealers, Mail order catalogs, Electric Utilities companies and bicycle retail outlets. The Company established sales agreements with The Sharper Image Catalog, Power Biking Corporation, Merry Sales, and the Beverly Hills Motorcycle Catalog in the USA. Through Power Biking Corporation the Company signed up 8 Auto dealerships to sell the ZAP product line. During 1996 the Company developed a program with forty Electric Utilities to promote the use of electric bicycles. Through this program the Company has sold approximately 160 electric bicycles, electric kits and electric police bicycles in 1996.The Company established sales/distribution agreements with Harvey Moore Motoring in Australia, and Movity S.R.L, in Italy. The Company expanded its internet marketing and sales effort in 1996 by expanding the existing ZAP Web page. The net sales increase resulted from increased bicycle and kit sales through expanded distribution channels both domestically and off shore. The Company also increased the sales price to distributors and retail customers an average of 25% in the same period.

Gross profit (loss). Gross profit decreased as a percentage of net sales, from 33% to 26%. The transition from research and development projects to electric bicycle and electric kit sales resulted in a lower total gross profit percentage. The total gross profit increased $92,800 or 43% because of the increase in net sales from 1995 to 1996.

Selling expenses in 1996 were $476,800. This was an increase of $386,500 or 428% from 1995 to 1996. As a percentage of sales, selling expenses increased from 14% of sales to 41% of sales. This was due to an increase in marketing to auto dealerships and other dealer outlets for the 1996 period as compared to the 1995 period as well as a realignment of sales and marketing efforts towards the sale of electric bicycles and kits versus research and development work.

General and administrative expenses for 1996 were $554,800. This is an increase of $272,600 or 97% from 1995. As a percentage of sales, general and administrative expense increased from 43% to 47% of net sales. Expenses during 1996 included the cost of developing computer systems and implementation, accounting and administration to support the Company's public offering and to support increases in sales volume.

Research and development increased $25,700 or 34% from 1995 to 1996. As a percentage of net sales it decreased from 12% to 9% respectively. This expense decreased as a percentage of net sales due to the Company's manufacturing of the products it had developed in the prior years. The expense in 1996 was primarily on the scooter products that will be introduced in 1997.

Other income (expense) decreased $201,200 or 96% from 1995 to 1996. This decrease was due to the Company directing its resources to manufacturing and sales of electric bicycles and electric kits and away from royalty, research and development type revenue.

Year Ended December 31, 1994 Compared to Year Ended December 31, 1995

Net sales. The Company was formed September 23, 1994. Sales during the three months to the end of 1994 were for electric bicycles and kits developed by the Company. The sales were to retail customers, wholesale customers and distributors. Net sales increased $589,500 or 962% from 1994 to 1995 due to a full year of activity in 1995 as compared to only 3 months of activity in 1994. During 1995, in addition to sales of electric bicycles and kits, the Company entered into contracts to perform research and product development for two U.S. agencies and one foreign company. High Technology Holdings Group, a Singapore Company, paid the Company $300,000 to develop an electric bicycle for the Singapore, Malaysian and Thailand markets and to assist in the set up of an manufacturing facility in Thailand for electric bicycles. This contract also included a technology licensing agreement and payment (see "Other income (expense)" below). The contract with High Technology Holdings Group was terminated in October 1995. The Company also performed research for The Electric Power Research Institute and the California Energy Commission totaling $75,000. Both of these contracts were completed in 1995.

Gross profit (loss). Gross profit increased as a percentage of net sales, from (9%) to 33%. The increase in bicycle and kit sales volume resulted in reducing manufacturing cost on a per unit basis. The contract work the Company performed in 1995 relied on data developed by James McGreen, the current president of the Company, in 1994 and the years prior to the formation of the Company.

Selling. Selling expense increased from 8% of sales to 14% of sales. In 1995 the Company increased its marketing and sales expenditures to launch its new products into the marketplace.

General and administrative expense. General and administrative expenses decreased as a percentage of net sales from 69.0% in 1994 to 43% in 1995. This result was due to allocating fixed salary and rent expenses over more sales dollars than in the prior start-up year.

Research and development expense. Research and development expense decreased as a percentage of net sales from 32% in 1994 to 11% in 1995. The Company expenditures for development of their products was significant in 1994 and the first half of 1995. As sales volume increased in the second half of 1995 research and development expenditures did not increase at the same rate.

Other income (expense). Other income (expense) increased significantly in 1995, 34% of net sales, as a result of the technology licensing agreement with High Technology Holdings Group, (see Net sales above). The licensing agreement allowed High Technology Holdings Group to use the Company's technology in Singapore, Malaysia and Thailand. High Technology Holdings Group paid $210,000 for this license. The Company received a $20,000 grant from the Environmental Protection Agency for work it performed in 1995.

Liquidity and Capital Resources

During 1995 and 1996 the Company operated with modest cash resources. In 1996 the Company had a cash deficit of $618,000 from operations as compared to a cash deficit of $14,000 in 1995. In order to meet all of the Company's operating expenses the Company relied on the sales of common stock and issuing notes payable.

In 1996 the Company raised a total of $841,300 from common stock sales, issuances of notes payable and long-term debt. In 1995 the Company raised $111,500 from stock sales and issuance of notes payable. The Company was cleared by the SEC to sell public shares on November 29, 1996. These funds were utilized to pay down accounts payable and to fund the Company's increases in inventory, accounts receivable, operating costs and research and development expenditures. The Company also issued $52,500 of common stock to ZAP (China) LLC, of which 50% is owned by the Company.

At December 31, 1995 and 1996, the Company had a working capital deficit of ($20,100) and ($44,800) respectively. As of December 31, 1996, the Company had total current assets of $584,600, including cash of $161,600, accounts receivable of $60,900, inventories of $246,600, and prepaid expenses of $115,500. The Company's current liabilities as of December 31,1996 were $629,400, including accounts payable and accrued expenses of $367,700, notes payable of $236,400 and current maturity of long-term debt and leases. Notes payable issued in November and December of 1996 in the amount of $189,000 had preferential repayment rights of the public stock offering proceeds. The notes are due in November and December of 1997. These note holders were also granted a total of 37,800 warrants. The proceeds from this placement went to fund increased inventory levels, accounts receivables, capital expenditures and the Company's public stock offering expenses. The balance of notes payable $47,400, were unsecured notes with an interest rate of 10%. These notes are due in January, February, March and December of 1997.

The Company had net cash provided by financing activities of $92,200 for the year ended December 31, 1995, and $838,900 for the year ended December 31, 1996. Net cash provided by financing activities for the year ended December 31, 1996 was from notes payable $271,900, a bank loan $25,000, and sale of common stock $544,400. Net cash used in financing activities for the year ended December 31,1996 was $12,400 for repayments of bank debt and lease obligations.

The bank loan with Wells Fargo Bank is for $25,000 amortized over 2 years at an interest rate of 15%. The equipment lease is with AT&T Credit Corporation and is for $43,076 with monthly payments of $1,186 for three years.

The Company's primary capital needs are to fund its growth strategy, which includes increasing its net sales, increasing distribution channels, introducing new products, improving existing product lines and development of strong corporate infrastructure.

Recent Accounting Pronouncements

During October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which established a fair value-based method of accounting for stock-based compensation plans. The Company is currently following the requirements of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Seasonality and Quarterly Results

The Company's business is subject to seasonality influences. Sales volumes in the bicycle industry typically slows down during the winter months, November to March in the U.S. The Company is selling worldwide and is not impacted 100% by the U.S. seasonality in the bicycle industry.

Inflation

The Company's raw materials are sourced from stable cost competitive industries. As such the Company does not foresee any material inflationary trends for its raw material sources.

Item 7. - Consolidated Financial Statements

ZAP POWER SYSTEMS AND SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1995

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors ZAP Power Systems and Subsidiary

We have audited the accompanying consolidated balance sheets of ZAP Power Systems and Subsidiary as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZAP Power Systems and Subsidiary as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

/s/ Moss Adams LLP

Santa Rosa, California February 14, 1997 except for Note 2, which is as of March 21, 1997

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ZAP POWER SYSTEMS AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

December 31, 1996 1995

ASSETS
CURRENT ASSETS

Cash	$161,600	$ 21,800
Receivables	60,900	30,700
Inventories	246,600	58,400
Prepaid expenses and other assets	115,500	- -
	--------	--------
Total current assets	584,600	110,900
	--------	--------
PROPERTY AND EQUIPMENT	100,300	66,300
OTHER ASSETS		
Investment in joint venture	52,500	- -
Cash restricted to payment of long-term debt	10,000	- -
Intangibles, net of accumulated amortization of $1,600 and $700, respectively	7,300	8,200
Deposits	15,500	6,000
	--------	--------
	85,300	14,200
	--------	--------
Total assets	$770,200	$191,400
	========	========

The accompanying notes are an integral part of these financial statements.

ZAP POWER SYSTEMS AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (Continued)

December 31,	1996	1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 301,200	$ 94,200
Accrued liabilities and other expenses	66,500	12,600
Income taxes payable	- -	2,700
Notes payable	236,400	21,500
Current maturities of long-term debt	12,800	- -
Current maturities of obligations under capital leases	12,500	- -
Total current liabilities	629,400	131,000
OTHER LIABILITIES		
Long-term debt, less current maturities	4,700	- -
Obligations under capital leases, less current maturities	23,700	- -
	28,400	- -
STOCKHOLDERS' EQUITY		
Common stock, no par value ; 10,000,000 shares authorized, 2,076,500 and 1,644,000 shares issued and outstanding, respectively	1,019,200	149,900
Accumulated deficit	(906,800)	(89,500)
	112,400	60,400
Total liabilities and stockholders' equity	$ 770,200	$ 191,400

The accompanying notes are an integral part of these financial statements.

ZAP POWER SYSTEMS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,	1996	1995
NET SALES	$ 1,170,900	$ 650,800
COST OF GOODS SOLD	862,700	435,400
GROSS PROFIT	308,200	215,400
OPERATING EXPENSES		
Selling	476,800	90,300
General and administrative	554,800	282,200
Research and development	100,400	74,700
	1,132,000	447,200
LOSS FROM OPERATIONS	(823,800)	(231,800)
OTHER INCOME (EXPENSE)		
Interest expense	(11,400)	(2,700)
Miscellaneous	19,500	(8,000)
Grant income	- -	20,000
Royalty income	- -	210,000
	8,100	219,300
LOSS BEFORE INCOME TAXES	(815,700)	(12,500)
PROVISION FOR INCOME TAXES	1,600	3,5000-
NET LOSS	$ (817,300)	$ (16,000)
NET LOSS PER COMMON SHARE	$ (0.45)	$ (0.01)
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING	1,805,317	1,582,656

The accompanying notes are an integral part of these financial statements.

ZAP POWER SYSTEMS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 1996 and 1995

	Common Stock			
	Shares	Amount	Accumulated Deficit	Total
Balance, December 31, 1994	1,5000,000	$ 15,000	$ (73,500)	$ (58,500)
Sale of common stock	97,500	94,900	- -	94,900
Conversion of notes payable	46,500	40,000	- -	40,000
Net loss	- -	- -	(16,000)	(16,000)
Balance, December 31, 1995	1,644,000	149,900	(89,500)	60,400
Sale of common stock	362,100	574,500	- -	574,500
Conversion of notes payable	3,000	5,000	- -	5,000
Stock issued for current and future services	57,400	181,000	- -	181,000
Stock issued to joint venture	10,000	52,500	- -	52,500
Warrants issued for finance fees	- -	56,300	- -	56,300
Net loss	- -	- -	(817,300)	(817,300)
Balance, December 31, 1996	2,076,500	$1,019,200	$ (906,800)	$ 112,400

The accompanying notes are an integral part of these financial statements.

ZAP POWER SYSTEMS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES	$(817,300)	$ (16,000)
Net loss		
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	47,400	11,100
Allowance for doubtful accounts	7,400	1,000
Issuance of common stock for services rendered	127,400	24,900
Changes in:		
Receivables	(37,600)	(21,800)
Inventories	(188,200)	(41,400)
Prepaids expenses	(6,400)	
Deposits	(9,500)	(6,000)
Accounts payable	207,000	71,000
Accrued liabilities and other expenses	53,900	(39,500)
Income taxes payable	(2,700)	2,700
Net cash used by operating activities	(618,600)	(14,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(80,500)	(61,700)
Purchase of patent and trademark	- -	(8,900)
Net cash used by investing activities	(80,500)	(70,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	271,900	41,500
Proceeds from long-term debt	25,000	- -
Sale of common stock, net of stock offering costs	544,400	70,000
Principal repayments on long-term debt	(7,500)	- -
Payments on obligations under capital leases	(4,900)	- -
Cash restricted to payment of certain notes payable	10,000	- -
Principal repayments on note payable	- -	(19,300)
Net cash provided by financing activities	838,900	92,200
NET INCREASE IN CASH	139,800	7,600
CASH, beginning of year	21,800	14,200
CASH, end of year	$ 161,600	$ 21,800

The accompanying notes are an integral part of these financial statements.

ZAP POWER SYSTEMS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 1996 1995

SUPPLEMENTAL CASH-FLOW INFORMATION:

Cash paid during the year for:

Interest	$ 11,400	$ 100
Income taxes	$ 1,600	$ 800
Non-cash investing and financing activities:		
Conversion of notes payable to common stock	$ 5,000	$ 40,000
Stock issued for future services	$ 53,600	- -
Stock issued to joint venture	$ 52,500	- -
Stock issued for current services	$127,400	- -
Warrants issued for financing fees	$ 56,300	- -

The accompanying notes are an integral part of these financial statements.

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of operations - ZAP Power Systems, (ZAP), was incorporated in California in September, 1994. ZAP and its wholly-owned subsidiary, Electricycle Corporation, designs, manufactures, and distributes electric bicycle power kits, electric bicycles and tricycles, and other low power electric transportation vehicles. Company products are sold directly to end-users and to distributors throughout the United States.

Principles of consolidation - Electricycle Corporation (Electricycle) was incorporated in June 1995, with the sole stockholder also a founding stockholder of ZAP Power Systems (ZAP). The activities of Electricycle were fully incorporated within the activities of ZAP, including common management, location and employees. In December 1995, the outstanding shares of stock in Electricycle were acquired at no cost by ZAP. Because of the common ownership and the interrelated activities of Electricycle and ZAP, the accounts of both companies in 1995 were consolidated from Electricycles' incorporation date rather than from the date of acquisition by ZAP. All material intercompany balances and transactions were eliminated. There was no activity within Electricycle during 1996.

Inventories - Inventories consist primarily of raw materials, work-in-process, and finished goods and are carried at the lower of cost (first-in, first-out method) or market.

Property and equipment - Property and equipment are stated at cost and depreciated using straight-line and accelerated methods over the assets' estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterment's are capitalized. Estimated useful lives are as follows:

Machinery and equipment	7 years
Equipment under capital leases	5 years
Demonstration bicycles	2 years
Office furniture and equipment	7 years
Vehicle	5 years
Leasehold improvements	15 years

Intangibles - Intangibles consist of costs expended to perfect certain patents and are amortized over an estimated useful life of ten years.

Income taxes - ZAP and Electricycle file separate tax returns. Income taxes are recognized using enacted tax rates, and are composed of taxes on financial accounting income that is adjusted for requirements of current tax law and deferred taxes. Deferred taxes are the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. A valuation allowance is recognized to offset a deferred tax asset if the eventual realization of all or a portion of the asset is uncertain.

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development - Research and development costs are expensed as incurred.

Concentrations of risk - Financial instruments potentially subjecting the Company to concentrations of credit risk consist primarily of trade receivables. This credit risk is limited due to the large number of customers comprising the Company's customer base.

Advertising - Advertising costs are expensed as incurred and totaled $38,300 and $8,600 for the years ended December 31, 1996 and 1995, respectively.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the Company make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, and disclosure of contingent assets and liabilities. The amounts estimated could differ from actual results.

Fair value of financial instruments - The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. For certain of the Company's financial instruments, including cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturities. The carrying amount of notes payable approximates fair value because current interest rates available to the Company for similar debt are approximately the same.

Net loss per common share - The net loss per common share is based on the weighted average number of common shares outstanding in each period. Common stock equivalents associated with stock options have been excluded from the weighted average shares outstanding since the effect of these potentially dilutive securities would be antidilutive.

Stock-based compensation - The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock-Based Compensation. This standard became effective for the year ended December 31, 1996. Under SFAS 123, a fair value method is used to determine compensation cost for stock options or similar equity instruments. Compensation is measured at the grant date and is recognized over the service or vesting period. Under the current accounting standard, compensation cost is the excess, if any, of the quoted market price of the stock at a measurement date over the amount that must be paid to acquire the stock.

The standard allows the Company to continue to account for stock-based compensation under the current standard, with disclosure of the effect of the standard, or adopt a fair value based method of accounting. The company will continue to apply current accounting rules.
Common stock - All share and per share data, including stock options, have been adjusted retroactively to reflect a three-for-one stock split.

NOTE 2 - MANAGEMENT PLANS

The Company's loss from operations is attributable to costs associated with augmenting its marketing and sales force; implementing a new computer system; and increasing its administrative and accounting staff to support the planned increases in sales volume.

Management believes the Company will generate sufficient cash flows from operations, and from equity infusions related to its direct public offering, to meet its expected cash requirements. Through March 21, 1997, more than $600,000 has been generated through the public offering.

NOTE 3 - RECEIVABLES

	1996	1995
Trade accounts receivable	$ 77,300	$ 39,700
Less allowance for doubtful accounts	16400	9,000
	$ 60,900	$ 30,700

NOTE 4 - INVENTORIES

	1996	1995
Raw materials	$ 99,900	$ 25,900
Work-in-process	95,500	24,900
Finished goods	51,200	7,600
	$ 246,600	$ 58,400

NOTE 5 - PROPERTY AND EQUIPMENT

	1996	1995
Machinery and equipment	$ 41,600	$ 35,600
Equipment under capital leases	42,100	- -
Demonstration bicycles	33,500	15,400
Office furniture and equipment	30,000	20,000
Leasehold improvements	6,600	6,600
Vehicle	4,300	- -
	$ 158,100	$77,600
Less accumulated depreciation and amortization	57,800	11,300
	$100,300	$ 66,300

NOTE 6 - NOTES PAYABLE

	1996	1995
Note stockholders, with interest at 12%; interest and principal due when the notes mature in November and December, 1997; the Company is allocating 50% of the proceeds received from the Company's Direct Public Offering towards repayment of the loans until fully repaid; the noteholders have been issued warrants to purchase, in the aggregate, 37,800 shares of common stock at $5.25 per share through October, 1999	$189,000	$ --
Notes to a stockholder, with interest at 10%; principal and interest is due when the notes mature in March and December, 1997; unsecured	35,400	16,500
Notes, with interest at 10%; principal and interest is due when the notes mature in January and February, 1997; unsecured	12,000	- -
Note, with interest at 10%; the note was converted to 3,000 shares of common stock in 1996	- -	5,000
	$236,400	$ 21,500

NOTE 7 - LONG-TERM DEBT

	1996	1995
Note to bank, with interest at 15%; principal and interest due in monthly installments and maturing in March, 1998; secured by an interest in other checking or savings accounts in the bank and held by the Company	$17,500	- -
Less current maturities	12,800	- -
	$ 4,700	- -

NOTE 8 - CAPITAL LEASES

Minimum future lease payments under capital lease obligations for computer equipment are as follows:

Year Ending December 31,	
1997	$17,900
1998	17,900
1999	9,200
Total minimum lease payments	45,000
Less amounts representing interest	8,800
Present value of minimum lease payments	36,200
Less current maturities	12,500
	$23,700

NOTE 9 - PROVISION FOR INCOME TAXES

	1996	1995
Current tax liability		
Federal	- -	$1,700
State	$1,600	$1,800
	----------	----------
	$1,600	$3,500
	=========	=========
Deferred tax assets (liabilities)		
Federal tax loss carryforward	$ 297,000	$ 25,900
State tax loss carryforward	$79,000	$4,700
Other, net	$(19,600)	$(500)
	----------	----------
	$356,400	$30,100
Less valuation allowance	$356,400	$30,100
	----------	----------
	- -	- -
	=========	=========

ZAP Power Systems has available for carryforward approximately $876,000 and $850,000 of federal and state net operating losses, respectively, expiring through 2011. The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating losses in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code. There has been no determination whether an ownership change, as defined, has taken place. Therefore, the extent of any limitation has not been ascertained.

A valuation allowance is required for those deferred tax assets that are not likely to be realized. Realization is dependent upon future earnings during the period that temporary differences and carryforwards are expected to be available. Because of the uncertain nature of their ultimate utilizations, based upon the Company's past performance, a full valuation allowance is recorded against these deferred tax assets.

NOTE 10 - COMMON STOCK

In April, the Company, through a private placement memorandum, offered for sale 300,000 shares of common stock at $1.67 per share.

In November 1996, the Company began offering for sale, directly to the public, 500,000 shares of common stock at $5.25 per share. The net proceeds from the sale are to be used to retire certain debt, increase manufacturing capacity, and provide working capital for new product development and general purposes.

Stock issuance costs through December 31, 1996, of $41,500 have been offset against $616,000 of sale proceeds from both the direct public offering and the private placement memorandum.

NOTE 10 -COMMON STOCK (Continued)

In September, 1996, the Board of Directors authorized a three-for-one stock split. After giving effect to the split, the number of shares outstanding at December 31, 1995 increased from 548,000 to 1,644,000 shares. The number of shares the Company is authorized to issue was also increased from 1 million to 10 million shares.

NOTE 11 - STOCK OPTIONS AND WARRANTS

Options to purchase common stock are granted by the Board of Directors under two Stock Option Plans.

Options granted may be incentive stock options (as defined under Section 422 of the Internal Revenue Code) or nonstatutory stock options. The number of shares that may be optioned and sold under the 1996 and 1995 Plans are 600,000 and 750,000, respectively. Options are granted at no less than fair market value on the date of grant, become exercisable as they vest, and expire from five to ten years after the grant. Options totaling 365,000 shares were vested under both Plans at December 31, 1996.

Options activity under the two plans is as follows:

	1996 Plan		1995 Plan	
	Number of Shares	Exercise Price Per Share	Number of Shares	Exercise Price Per Share
Outstanding at December 31, 1994	- -	$ - -	- -	$ - -
Granted	- -	$ - -	$237,000	$ 0.40
Canceled	- -	$ - -	- -	$ - -
	- - - - - - - - - -		- - - - - - - - - -	
Outstanding at December 31, 1995	- -	$ - -	$237,000	$ 0.40
Granted	$501,000	1.00	$318,000	1.00
Canceled	- -	$ - -	- -	$ - -
Outstanding at December 31, 1996	$501,000	1.00	$555,000	$ 0.40
	==========		=========	

Warrants to acquire stock were issued to certain stockholders as additional consideration for providing financial assistance, in the form of notes, to the Company (see Note 6). The fair value of the warrants at time of issuance $56,300, are reported as financing fees to be amortized over the life of the related debt.

NOTE 11 - STOCK OPTIONS AND WARRANTS (Continued)

The Company has adopted the disclosure only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation (SFAS 123)". Accordingly, no compensation expense has been recognized for stock options issued during 1996 and 1995. Had compensation cost for the Company's options been based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have approximated the following proforma amounts:

	1996	1995
Net loss - as reported	$ (817,300)	$ (16,000)
Net loss - pro forma	$ (981,000)	$ (36,600)
Loss per share -as reported	$ (0.45)	$ (0.01)
Loss per share -pro forma	$ (0.54)	$ (0.02)

The fair value of each option and warrant is estimated on date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1996	1995
Dividends	None	None
Expected volatility	30%	30%
Risk free interest rate	6.28%	5.43%
Expected life	10 years	10 years

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. The higher the volatility the more the returns on the stock can be expected to vary. Factors in estimating volatility include the length of time stock has been publicly traded. The volatility used is an estimate since the Company is currently offering stock to the public and it does not yet have a history of volatility.

The effects of applying SFAS 123 in this proforma disclosure are not indicative of the effect on income in future years because options vest over several years and additional awards are expected to be authorized.

NOTE 12 - JOINT VENTURE

In December 1996, the Company joined with MW McWong International, Inc., to form ZAP (China), a limited liability corporation registered in California. The Company is a 50% owner of ZAP (China) LLC.

ZAP (China) LLC entered into a joint venture with a Shanghai Forever Company Ltd., a bicycle manufacturing company in China. The joint venture is registered and incorporated in Shanghai as ZAP Forever Electric Vehicles Company, Ltd., and is 50% owned by ZAP (China). There were no material transactions with this joint venture at December 31, 1996. In 1997, the Company intends to account for its investment in the joint venture by the equity method.

NOTE 13 - COMMITMENTS

The Company rents warehouse and office space under an operating lease that expires in June 1998. The monthly rent of $4,400 is adjusted annually to reflect the average percentage increase in the Consumer Price Index. An option exists to extend the lease for two periods of five years each. Future minimum lease payments are $52,800 in 1997 and $22,000 in 1998. Rent expense under this lease was $52,800 and $24,000 in 1996 and 1995, respectively.

A marketing agreement with a Broker requires the Company pay, commencing March 1, 1997, a 3% fee on all Company sales in the United States and Canada that are not generated by the Broker. This contingent brokerage fee is subject to the Broker meeting certain sales targets.

Item 8. Changes in and Disagreements with Accountants and Financial Disclosure.

The Company has retained Moss Adams LLP as the Company's Accountants for the years 1994, 1995 and 1996.

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

MANAGEMENT

Name	Age	Position
Gary Starr	41	Managing Director
James McGreen	43	President and Director
Dave Workman	43	Vice President, Operations
Jessalyn Nash	37	Director
Lee S. Sannella, M.D.	80	Director
Nancy K. Cadigan	38	Director and Secretary

Gary Starr is Managing Director of the Company. He founded the Company with James McGreen in September 24, 1994. He has been building and driving electric cars for more than 20 years. In addition to overseeing the marketing of more than 3,000 electric bicycles and vehicles, Mr. Starr has invented several solar electric products and conservation devices. Mr. Starr founded U.S. Electricar's electric vehicle operations in 1983. That Company grew from 3 to more than 300 employees and raised more than $40 million.

Mr. Starr also serves as an advisor to Zebra Motors, Inc., a designer of an electric sports car, and has been a technical advisor to UCLA's Lewis Center for Regional Policy Studies. He's been a member of the California Environmental Technology Advisory Council and has been a guest lecturer at Stanford University Graduate School of Business.

In 1993, Mr. Starr earned a Private Industry Council Recognition Award for creating job opportunities in the EV industry and was named as one of the ten most influential electric car authorities by Automotive News. More recently, he was honored by the American Lung Association of San Francisco with a Clean Air Award in Technology and was recognized by U.S. Senator Barbara Boxer for his contribution towards clean air.

Mr. Starr has several publications: Electric Cars: Your Guide to Clean Motoring, The Shocking Truth of Electric Cars, and The True Cost of Oil. In addition, he has appeared on more than 300 radio and television talk and news shows (including Larry King Live, The Today Show, Inside Edition, CNN Headline News, Prime Time Live, and the CBS Evening News and the McNeil Lehrer News Hour) as a recognized authority in the field of electric vehicles.

James McGreen, President, has over 25 years experience in design, development, engineering, manufacturing and marketing. He has brought over 100 successful consumer products from conception to the mass market. He has been a pioneer in the ultralight aircraft, personal watercraft, and motorcycle racing fields. He is the founder and/or former president of Protopipe Exhaust Systems, Inc., McGreen Metalworking, Kanemoto Racing and McGreen Development. His commitment to electric transportation began in 1991 with successful competition in Electrathon racing. He holds several records and winning times for this lightweight electric vehicle class. He has been a racer of motorcycles and has built motor parts, frames, chassis and other specialty parts for both manufacturers and other racers. Mr. McGreen has also designed and built composite racing sail boats. A skilled machinist, welder, and tool and die maker, he has designed and built nearly every kind of lightweight motorized vehicle. A prolific inventor McGreen has filed five patents, (1 granted, 2 pending, 2 expired), in the resource conservation and transportation fields. He also managed the World Championship team that won the World Solar Bicycle Races, in Akita, Japan in 1995. In 1996, McGreen was selected as an honored member of the Who's Who of American Inventors for his positive impact on society.

David Workman, M.B.A., is Vice President of Operations of the Company. He has been involved with start-up and rapid growth companies for the last twenty years. From 1980 to 1991, he worked for California Energy Company, Inc. an alternative energy company, that had 12 employees and five-hundred thousand dollars sales when he started and now is listed on the New York Stock Exchange with a market capitalization of over $1 billion. He held the position of Corporate Controller when he left the company in 1991. In the past five years, he has worked for Precision Wood Manufacturing, Inc. (8/92-6/93 and 8/95-12/95), U.S. Electricar (7/934/95) and as a consultant (6/91-8/92 and 1/96-4/96). Mr. Workman's experience in the electric vehicle industry came from his work at U.S. Electricar where he held various management positions.

Jessalyn Nash, Masters in Business, is an environmental and business consultant to rapid growth entrepreneurial companies. She has specialized in marketing, distributor relations and sales programs. Ms. Nash previously held positions with NeXT, Inc. and in National Sales and Marketing with Apple Computer, Inc. Ms. Nash has been an environmental advocate for over 20 years. She has operated her consulting business since 1989.

Lee Sannella, M.D. has been an active researcher in the fields of alternative transportation, energy and medicine for more than 25 years. Dr. Sannella has been a founding shareholder in many start up high tech companies. He was a Director of U.S. Electricar from 1983 to 1992. A graduate of Yale University, he maintained an active medical practice for many years in ophthalmology and psychiatry. He worked with the Sonoma Medical Society on improving radiation standards and is a best-selling author. He has served on advisory boards of the City of Petaluma, California, on the Board of Directors of the San Andreas Health Council of Palo Alto, the Veritas Foundation of San Francisco, and the AESOP Institute.

Nancy K. Cadigan assisted Jim McGreen in managing McGreen Development, the research organization that developed the original ZAP Power System. She has broad experience in sales, trade show events, and office management. With an educational background in Recreation and Leisure, Ms. Cadigan has worked in public and commercial recreation for more than twenty years. She has also worked on women's health issues and has counseled women in crisis situations. She has conducted public education classes on recycling, reuse and composting practices. Currently, Ms. Cadigan is involved in organic farming. In all of her work, she looks for environmentally sound solutions to ordinary problems and has been a strong advocate of the ZAP mission since its inception. In the past five years she has worked for the Oakland Parks and Recreation Department (1990-92), Alameda Waste Management Authority (1992-93), Urban Ore (1993-94), McGreen Development (1994), ZAP Power Systems (1994-present), and Women's Health Specialists (1995-present).

Indemnification of Directors and Officers
The Company's Articles of Incorporation provide that the liability of the directors for monetary damages shall be limited to the fullest extent permissible under California law. Insofar as indemnification for liabilities arising under the federal securities laws may be permitted to directors, officers and controlling persons of the Company pursuant to that provision, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in those laws and is, therefore, unenforceable.

Director Term of Office and Compensation
All directors terms of office expire at the next annual meeting of shareholders. The Company's directors do not receive any cash compensation for their service on the Board of Directors, but directors may be reimbursed for certain expenses in connection with their attendance at Board meetings.

Item 10.

EXECUTIVE COMPENSATION

Summary Compensation Table

		Annual Compensation			Long Term Compensation: Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(I)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen- sation ($)	Restricted Stock Award ($)	Securities Underlying Options / SARs (#)	LTIP Payouts ($)	All other Compensa- tion ($)
Gary Starr	1994	$ 0						
Managing	1995	$21,000				72,000		
Director	1996	$31,000			$3,750	60,000		
James McGreeen	1994	$ 0						
Managing	1995	$21,000				72,000		
Director	1996	$31,000			$3,750	60,000		

Option/SAR Grants in Last Fiscal Year

Individual Grants

(a)	(b)	(c)	(d)	(e)
Name	Number of securities Underlaying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/SH)	Expiration Date
Gary Starr	60,000	13%	$1.00	7/31/2006
James McGreen	60,000	13%	$1.00	7/31/2006

Item 11. Security Ownership and Certain Beneficial Owners and Management

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Company's Common Stock as of February 28, 1997 for each shareholder known by the Company to own beneficially 5% or more of the outstanding shares of its Common Stock. The Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by them, have sole investment and voting power with respect to their shares, subject to community property laws where applicable.

5% Shareholders:	Shares Beneficially Owned	Percentage of Common Shares at February 28, 1997 (2,546,220 shares)
James McGreen	674,702*	27%
Gary Starr	519,752**	20%
David Workman	197,905***	8%
All directors an executive officers as a group	1,490,137	59%

* Includes 74,252 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options but excludes 57,748 shares of Common Stock issuable under options but not currently exercisable.

** Includes 74,252 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options but excludes 57,748 shares of Common Stock issuable under options but not currently exercisable.

*** Includes 47,424 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options but excludes 84,576 shares of Common Stock issuable under options but not currently exercisable.

CERTAIN TRANSACTIONS

On September 23, 1994, the date the Company commenced business, James R. McGreen, the Company's President, transferred various assets, subject to certain liabilities, to the Company, receiving in exchange 900,000 shares (post split) of the Company's common stock. The net amount recorded on the Company's accounting records was $9,000. Mr. McGreen's net cost of those assets, less prior amortization of cost for tax purposes, was $10,691. On the same date, Gary Starr paid $6,000 for 600,000 shares (post split) of the Company's common stock.

There have been no other transactions, nor are any transactions proposed, in which the Company was or is to be a party, in which any member of its management or director had any direct or indirect material interest.

Item 13. Exhibits and Reports on Form 8-k

Exhibit 11. Statement regarding computation of per share loss

Loss per share was calculated based on the weighted average common shares outstanding during 1996. The Company had a Loss for the year so common stock options were not used to calculate fully dilutive earnings per share.

Exhibit 21. Subsidiaries of the Company
Electricycle Incorporated ZAP (China) LLC

Exhibit 27. Financial Data Schedule

99. Additional Exhibits - Subsequent event

January 1997 ZAP China signed an agreement with Forever Company to sell up to 5,000 motor units. Forever Company will assemble these motors on their bicycles to be sold in China.

March 1997 the Company signed a letter of intent to purchase the assets of Movity S.r.L. for a combination of common stock and cash totaling $500,000. Movity manufactures and sells an electric motor scooter into the European market.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ZAP POWER SYSTEMS FOR THE YEAR ENDED DECEMBER 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD END	DEC 31 1996
CASH	161,600
SECURITIES	0
RECEIVABLES	77,300
ALLOWANCES	(16,400)
INVENTORY	246,600
CURRENT ASSETS	528,300
PP & E	158,100
DEPRECIATION	57,800
TOTAL ASSETS	713,200
CURRENT LIABILITIES	629,400
BONDS	28,400
COMMON	1,019,200
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	(906,800)
TOTAL LIABILITY AND EQUITY	112,400
SALES	1,170,900
TOTAL REVENUES	1,170,900
CGS	862,700
TOTAL COST	862,700
OTHER EXPENSES	1,092,382
LOSS PROVISION	20,118
INTEREST EXPENSE	11,400
INCOME PRETAX	(815,700)
INCOME TAX	1,600
INCOME CONTINUING	(817,300)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(817,300)
EPS PRIMARY	(0.45)
EPS DILUTED	0.00

b. Estados financieros 1997.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

(Mark One)

X ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(Fee Required)

For the fiscal year ended December 31, 1997

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 (No Fee Required)

For the transition period from ___________ to ___________

Commission file number ___________

ZAP POWER SYSTEMS

(Name of small business issuer in its charter)

CALIFORNIA	94-3210624
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
117 Morris Street, Sebastopol, California	95472
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (707) 824-4150

Securities registered under Section 12(b) of the Exchange Act:

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

Securities registered under Section 12(g) of the Exchange Act:

None

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10KSB. ___.

State issuer's revenues for its most recent fiscal year. $1,640,200

The aggregate market value of the Company's voting common stock held by non-affiliates as of March 27, 1998, based on the average Bid and Ask price on that date was $8,839,423.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 2,568,331 shares of common stock as of March 27, 1998. --------------------------

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PART I

PART II

PART III

Part I

Item 1. Description of Business

A. Business Development

ZAP Power Systems (the "Company" or "ZAP") was incorporated under the laws of the state of California, on September 23, 1994. At its Sebastopol facilities, the Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, and other low-power electric transportation vehicles.

The Company objective is to leverage its technology and name recognition to serve a number of high potential markets in the electric bicycle and electric scooter industry. ZAP desires to establish distribution systems for these and other low powered electric vehicles. On February 10, 1998, NASD cleared ZAP Power Systems common stock for quotation on the OTC Bulletin Board under the symbol "ZAPP". Initially, the Company's revenue was primarily derived from development contracts from a foreign private entity and from domestic government agencies. Now the Company is focusing on the manufacturing and distribution of commercialized products.

During the second half of 1995 the Company began to develop a marketing and production strategy for the United States. It started selling electric bikes and kits through bicycle dealers. In the first quarter of 1996 the Company developed a Web Site on the World Wide Web (www.zapbikes.com) allowing customers to buy the ZAP products through the Internet. In the second quarter of 1996 the Company entered into a contract with Power Biking Inc., an entity formed to sell electric bicycles through auto dealerships, to enroll auto dealers in North America to sell the Company's electric bicycles. In April of 1996 the Company began selling electric bicycles and electric motor kits through mail order catalogs. During 1997, ZAP increased its emphasis on the overseas market with approximately 15% of its sales being generated from foreign entities. In March of 1997, the Company entered into a contract agreement with a large bicycle manufacturer in North America to distribute its bicycles and motor systems through retail stores. That agreement was completed at the end of 1997. In December 1997, the Company unveiled its electric vehicle outlet store concept.

The Company was issued its first United States Patent on February 13, 1996 on its electric motor power system for bicycles, tricycles, and scooters (Patent #5,491,390). On September 30,1997, the Company was issued its second United States Patent on its electric motor system (Patent #5,671,821). A third Patent, for its ZAPPY(TM) Scooter is currently pending. A Trademark for the name "ZAP" was issued to James McGreen on September 28, 1993 and assigned to the Company on September 23, 1994.

B. Business of Issuer

The Company manufactures an electric motor system that is sold as a kit to be installed by the customer on their own bicycle. The Company also installs the motor system on bicycles that the Company designs and has manufactured under contract. The Company then sells the complete electric bicycle to the customer. The Company purchases complete bicycles from various bicycle manufacturers for use with the Company's electric motor system. The Company manufactures the electric motor kit, which has approximately 62 unique parts. The electric motor kit manufacturing and installation of the motor systems to the bicycles is done at its Sebastopol location. The electric motors are purchased from an original equipment manufacturer (OEM) in the auto and air-conditioning industry. The Company is using one Company for its motors, although there are other companies that could be used with slight modifications to the motor support brackets. The batteries are standard batteries used in the computer industry for power interrupt systems. The electronic system uses standard electronic components. The ZAPPY scooter is manufactured by the Company, using parts manufactured by various subcontractors.

The electric motor kits, bicycles, and scooters sold by ZAP are shipped by U.P.S. and Federal Express. Larger quantity orders to wholesale distributors are shipped by common carrier. Overseas shipments are shipped by ocean carrier or airfreight. The Company has developed long term purchase arrangements with its key vendors. The Company has no contractual relationships with any of its vendors.

The electric bicycle industry has three (3) major manufacturers and a large group of small manufacturers. The major manufacturers are Honda, Suzuki, and Yamaha. They mainly sell products into Japan and China. The other group of manufacturers is much smaller in size and sales volume. These manufacturers have products that sell into the U.S., European, and Asian markets. The Company does not consider electric bicycle industry sales numbers very accurate at this point in time. As such the Company's position in terms of sales volumes is impossible to determine.

Item 2. Description of Property

The Company leases its manufacturing and office facilities, consisting of 9,500 square feet, at 111 & 117 Morris Street, Sebastopol, CA. The Company's property consists primarily of manufacturing equipment, and office computer systems. The monthly lease payments total $6,114.40 per month. The landlords are Daniel O. Davis and Robbin H. Davis. It is management's opinion that the Company's insurance policies cover all insurance requirements of the landlord. The lease expires June 1, 1998 with a renewal option for two additional five-year periods. The Company owns the basic tools and equipment necessary for the conduct of its production, research and development, and vehicle prototyping activities.

As of December 31, 1997 the Company has 32 full-time and 6 part-time employees. Most of the employees work at the Company's Sebastopol, California locations except for one employee who oversees a Company seasonal factory outlet store in Santa Rosa, CA.

Item 3. Legal Proceedings

There were no material proceedings pending in 1997 in which the Registrant was named as a party.

Item 4. Submission of Matters to a Vote of Security Holders

The Company called a special shareholders meeting November 29, 1997. A total of 1,590,911 shares (63.0%) were present or represented by proxy at the meeting to vote on the following issues:

Election of James McGreen, Gary Starr, Nancy Cadigan, Lee Sannella and Jessalyn Nash to the board of directors. For 1,590,811 Against 100 Abstained 0

Ratify all actions previously taken by the Board of Directors. For 1,577,385 Against 100 Abstained 13,426

Part II

Item 5. Market for Common Equity and Related Stockholder Matters

The number of shares issued of record as of December 31, 1997 is 2,542,700. No dividends of cash or stock have been paid by the Company in the past. The payment of dividends will depend entirely upon the Company's ability to generate sufficient earnings, its financial needs, and other unpredictable factors. It is not anticipated that common dividends will be paid in the foreseeable future.

During 1996 the Company sold 328,300 shares of common stock in a private placement at a price per share of $1.67. Net proceeds to the Company were $504,600 after deducting expenses of $41,500. The Company also converted $55,000 of notes payable into 33,000 shares of Common Stock and issued 10,000 shares of Common Stock at a fair value of $5.25 per share as its investment in a joint venture. In addition the Company issued 57,400 shares for payment of current and future services at an average price of $3.15 per share.

In November of 1996 the Company commenced a direct public offering of its Common Stock, offering for sale 500,000 shares at $5.25 per share. During 1996, the Company sold 3800 shares and received $19,900 in proceeds. In 1997, the Company sold an additional 415,100 shares in connection with the direct public offering and realized net proceeds of $1,990,900, net of offering related expenses of $188,400. In total, the Company sold 84% of the shares offered for sale and realized net proceeds of $2,010,600. The offering was completed in November 1997. In addition, in 1997, the Company 1) realized $12,600 in proceeds from the exercise of stock options and issued 21,600 shares, 2) converted $77,800 in notes payable and accrued interest into 14,800 shares ($5.25 per share), 3) issued 19,700 shares in payment for current and future services at an average price per share of $4.81 and, 4) cancelled 5,000 of the shares originally issued in connection with its investment in the joint venture in settlement of that activity.

The Company has in process a second direct public offering of its Common Stock offering for sale 500,000 shares at $6.00 per share. The company commenced this offering in January 1998 and as of March 27, 1998 has sold 19,967 shares and realized gross proceeds of $119,802. On March 11, 1998, the Company's Common Stock commenced trading on the OTC Bulletin Board under the stock symbol "ZAPP".

As of December 31, 1997 the Company had 1,771 holders of the common stock.

Item 6. Management's Discussion and Analysis of Plan of Financial Condition and Results of Operations.

Overview

The Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, and other low-power electric transportation vehicles. Historically, unit sales have been approximately 55% kits and 45% electric bicycles. Dollar sales have been 50% kits and 50% electric bicycles.

The Company sells its electric bicycles and kits to retail customers; international distributors, law enforcement agencies, electric utility companies, bicycle dealerships and mail order catalogs. Net revenue is net of returns. The Company sells to the mail order catalogs and selected customers on credit with net 30-day terms. Many of the bicycle dealerships are sold cash on delivery. The retail sales are primarily paid for with a credit card or personal check before shipment of the product.

During 1994 and 1995 the Company was paid by governmental agencies and private foundations to further develop the electric bicycle to fit into various roles in the US and overseas markets. During this period the Company developed electric motor systems for offshore sales and manufacturing. In addition, the Company worked on the development of an electric police bicycle. The Company's work to develop offshore manufacturing abilities for the domestic and foreign markets involved private and public foundations in Thailand and other Asian countries. Late in the fourth quarter of 1995 the Company began to sell bicycles to retail and wholesale customers as its core business.

The Company's growth strategy is to increase net sales by increasing distribution channels through retail organizations and wholesale distributors both domestically and overseas as well as setting up Company and franchise stores to assist in the retail sales arena. The Company will continue to increase its production capability to meet the increasing demand for its product. The Company will continue to develop the product so it is the low cost leader in the industry. Product improvements and new product introductions will continue to enlarge ZAP's presence in the electric vehicle industry.

Results of Operations

Year Ended December 31, 1996 Compared to Year Ended December 31, 1997

Net sales for the year ended December 31, 1997 were $1,640,200 compared to $1,170,900 in the prior year, an increase of $469,300 or 40%. The increase in sales is attributed to an increased demand for complete electric bicycles, electric motor kits, and scooters. Much of the increase was in dealer and international sales. During the year ended December 31, 1997, $430,000 in sales representing 26% of total net sales were with one customer. The company ceased selling products to this customer in late 1997 and is not expected to have any material sales to this customer in 1998. The loss of this one customer is not expected to have a material adverse affect on the company's results of operations in future periods. In 1996, no one customer accounted for 10% of more of the company's net sales.

Gross profit. Gross profit decreased as a percentage of net sales, from 26% to 22%. Early year liquidation of 1996 models and up-front costs incurred in developing the new ZAPPY(TM) scooter resulted in a lower gross-margin percentage. The total gross profit increased $57,300 or 19% due to the increase in net sales from 1996 to 1997.

Selling. Selling expenses in 1997 were $633,000. This was an increase of $156,200 or 33% from 1996 to 1997. As a percentage of sales, selling expenses decreased from 41% of sales to 39% of sales. This was due to an increase in sales dollars as well as a reduction in marketing efforts towards auto dealerships and other dealer outlets. There was minimal change in sales and marketing personnel.

General and administrative expense. General and administrative expenses in 1997 were $820,400. This was an increase of $265,600 or 48% from 1996 to 1997. As a percentage of net sales, General and Administrative expenses increased from 47% in 1996 to 50% in 1997. This result was due to added employees in General and Administrative areas and administrative supplies.

Research and development expense. Research and development expenses in 1997 were $246,100, an increase of 145,700 or 145% from 1996 to 1997. As a percentage of sales, research and development expenses increased from 9% to 15% respectively. These increases were due to the heightened efforts in developing the new ZAPPY(TM) Scooter, the single speed lower cost motor-system for bicycles, and a low cost "Z-Bike" for overseas markets. Also, additional patents were filed. In 1997, the increase in funds available for research resulting from the Company's Direct Public Offering also contributed to the increase in research and development expenses in 1997 over 1996 levels.

Other income (expense). Interest expense increased to $84,800 in 1997, an increase of $73,400 over 1996. The increase can be attributed to 1) the amortization of the fair value of warrants issued in connection with previous debt financings of $56,300 and, 2) the increase in interest expense on outstanding loans in 1997 of approximately $17,000. Such increase results from the loans being outstanding for a longer time period in 1997 as compared to 1996.

Year Ended December 31, 1995 Compared to Year Ended December 31, 1996

Net sales for the year ended December 31, 1996 were $1,170,900 compared to $650,800 in the prior year, an increase of $520,100 or 80%. The increase in sales is attributed to the Company's development of the retail sales of its electric bicycles and kits through Auto dealers, Mail order catalogs, Electric Utilities companies and bicycle retail outlets. The Company established sales agreements with, The Sharper Image Catalog, Power Biking Corporation, Merry Sales, and Beverly Hills Motorcycle Catalog in the USA. Through Power Biking Corporation the Company signed up 8 Auto dealerships to sell the ZAP product line. During 1996 the Company developed a program with forty Electric Utilities to promote the use of electric bicycles. Through this program the Company has sold approximately 160 electric bicycles, electric kits and electric police bicycles in 1996. The Company established sales/distribution agreements with three foreign distributors. The Company expanded its Internet marketing and sales effort in 1996 by expanding the existing ZAP Web page. The net sales increase resulted from increased bicycle and kit sales through expanded distribution channels both domestically and off shore. The Company also increased the sales price to distributors and retail customers an average of 25% in the same period.

Gross profit. Gross profit decreased as a percentage of net sales, from 33% to 26%. The transition from research and development projects to electric bicycle and electric kit sales resulted in a lower total gross profit percentage. The total gross profit increased $92,800 or 43% because of the increase in net sales from 1995 to 1996.

Selling expenses in 1996 were $476,800. This was an increase of $386,500 or 428% from 1995 to 1996. As a percentage of sales, selling expenses increased from 14% of sales to 41% of sales. This was due to an increase in marketing to auto dealerships and other dealer outlets for the 1996 period as compared to the 1995 period as well as a realignment of sales and marketing efforts towards the sale of electric bicycles and kits versus research and development work.

General and administrative expenses for 1996 were $554,800. This is an increase of $272,600 or 97% from 1995. As a percentage of sales, general and administrative expense increased from 43% to 47% of net sales. Expenses during 1996 included the cost of developing computer systems and implementation, accounting and administration to support the Company's public offering and to support increases in sales volume.

Research and development increased $25,700 or 34% from 1995 to 1996. As a percentage of net sales it decreased from 12% to 9% respectively. This expense decreased as a percentage of net sales due to the Company's manufacturing of the products it had developed in the prior years. The expense in 1996 was primarily on the scooter products that were introduced in 1997.

Other income (expense) decreased $201,200 or 96% from 1995 to 1996. This decrease was due to the Company directing its resources to manufacturing and sales of electric bicycles and electric kits and away from royalty, research and development type revenue.

Liquidity and Capital Resources

The Company used cash from operations of $1,263,000 and $618,600 during the years ended December 31, 1997 and 1996 respectively. Cash used in operations in 1997 was the result of the net loss incurred for the year of $1,409,300, offset by net non cash expenses of $231,200, and the net change in operating assets and liabilities resulting in a further use of cash of $84,900. Cash used in operations in 1996 was the result of the net loss incurred for the year of $817,300, offset by non cash expenses of $182,200, and the net change in operating assets and liabilities resulting in a source of cash of $16,500.

Investing activities used cash of $143,500 and $80,500 during the years ended December 31, 1997 and 1996 respectively. The uses of cash were for the purchase of fixed assets and additional capitalized patent costs.

Financing activities provided cash of $1,935,400 and $838,900 during the years ended December 31, 1997 and 1996 respectively. In both years, the cash provided by financing activities resulted from the sales of common stock and issuance of notes payable, $2,037,300 and $861,400 for the years ended December 31, 1997 and 1996 respectively, offset by principal payments on outstanding debt.

At December 31, 1997 the Company had cash and cash equivalents of $690,500 as compared to $161,600 at December 31, 1996. At December 31, 1997, the Company had working capital of $726,800, as compared to a working capital deficit of $44,800 at December 31, 1996. The increases in both cash and cash equivalents and working capital in 1997 over 1996 are primarily due to the proceeds received from the Company's direct public offering which more than offset the Company's net loss for the year. The Company, at present, does not have a credit facility in place with a bank or other financial institution. The Company does have in process a second direct public offering of its common stock with a maximum potential gross proceeds of $3,000,000 before expenses. The Company believes that the cash and cash equivalents on hand at December 31, 1997, along with the expected proceeds from the Company's direct public offering, will be sufficient to allow the Company to continue its expected level of operations for at least 12 months.

The Company's primary capital needs are to fund its growth strategy, which includes increasing its net sales, increasing distribution channels, introducing new products, improving existing product lines and development of strong corporate infrastructure.

Dates following December 31, 1999 and beyond (the "Year 2000 Problem")

Many existing computer systems and applications, and other devices, use only two digits to identify a year in the date field, without considering the impact of the upcoming change in the century. Such systems and applications could fail or create erroneous results unless corrected. The Company relies on its internal financial systems and external systems of business enterprises such as customers, suppliers, creditors, and financial organizations both domestically and globally, directly and indirectly for accurate exchange of data. The Company has evaluated such systems and believes the cost of addressing the Year 2000 Problem will not have a material adverse affect on the result of operations or financial position of the Company. However, even though the internal systems of the Company are not materially affected by the Year 2000 issue the Company could be affected through disruption in the operation of the enterprises with which the Company interacts.

Seasonality and Quarterly Results

The Company's business is subject to seasonality influences. Sales volumes in the bicycle industry typically slow down during the winter months, November to March in the U.S. The Company is selling worldwide and is not impacted 100% by the U.S. seasonality in the bicycle industry.

Inflation

The Company's raw materials are sourced from stable cost competitive industries. As such the Company does not foresee any material inflationary trends for its raw material sources.

Item 7.- FINANCIAL STATEMENTS

PAGE

Report of Independent Certified Public Accountants

To the Board of Directors ZAP Power Systems and Subsidiary

We have audited the accompanying consolidated balance sheet of ZAP Power Systems and Subsidiary as of December 31, 1997, and the related consolidated statement of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ZAP Power Systems and Subsidiary as of December 31, 1997, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

/s/ GRANT THORNTON LLP

San Jose, California
March 27, 1998

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors ZAP Power Systems and Subsidiary

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of ZAP Power Systems and Subsidiary for the year ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of ZAP Power Systems and Subsidiary for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ MOSS ADAMS LLP

Santa Rosa, California
February 14, 1997

ZAP Power Systems and Subsidiary

CONSOLIDATED BALANCE SHEET

December 31, 1997

ASSETS

CURRENT ASSETS	
Cash	$ 690,500
Accounts receivable, net of allowance for doubtful accounts of $5,000	121,700
Inventories	267,300
Prepaid expenses and other assets	65,600

Total current assets	1,145,100
PROPERTY AND EQUIPMENT	163,200
OTHER ASSETS	
Intangibles, net of accumulated amortization of $3,600	20,200
Deposits	13,500

	33,700

Total assets	$ 1,342,000
	==========

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 161,600
Accrued liabilities and customer deposits	189,100
Notes payable	51,600
Current maturities of obligations under capital leases	16,000

Total current liabilities	418,300
OTHER LIABILITIES	
Long-term debt	60,000
Obligations under capital leases, less current maturities	10,900

	70,900
STOCKHOLDERS' EQUITY	
Common stock, no par value; 10,000,000 shares authorized, 2,542,700 shares issued and outstanding	3,168,900
Accumulated deficit	(2,316,100)

	852,800

Total liabilities and stockholders' equity	$ 1,342,000
	==========

The accompanying notes are an integral part of this statement.

ZAP Power Systems and Subsidiary

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,

	1997	1996
NET SALES	$ 1,640,200	$ 1,170,900
COST OF GOODS SOLD	1,274,700	862,700
GROSS PROFIT	365,500	308,200
OPERATING EXPENSES		
Selling	633,000	476,800
General and administrative	820,400	554,800
Research and development	246,100	100,400
	1,699,500	1,132,000
LOSS FROM OPERATIONS	(1,334,000)	(823,800)
OTHER INCOME (EXPENSE)		
Interest expense	(84,800)	(11,400)
Miscellaneous	11,100	19,500
	(73,700)	8,100
LOSS BEFORE INCOME TAXES	(1,407,700)	(815,700)
PROVISION FOR INCOME TAXES	1,600	1,600
NET LOSS	$(1,409,300)	$ (817,300)
NET LOSS PER COMMON SHARE		
Basic	$ (0.62)	$ (0.45)
Diluted	$ (0.62)	$ (0.45)
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING	2,289,165	1,805,317

The accompanying notes are an integral part of these statements.

ZAP Power Systems and Subsidiary

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years ended December 31, 1997 and 1996

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance, January 1, 1996	1,644,000	$ 149,900	$ (89,500)	$ 60,400
Issuance of common stock through private placement at $1.66 per share net of expenses of $41,500	328,300	504,600	--	504,600
Issuance of common stock in connection with direct public offering at $5.25 per share	3,800	19,900	--	19,900
Conversion of notes payable into common stock at $1.66 per share	33,000	55,000	--	55,000
Stock issued for current and future services	57,400	181,000	--	181,000
Stock issued to joint venture	10,000	52,500	--	52,500
Warrants issued for finance fees	--	56,300	--	56,300
Net loss	--	--	(817,300)	(817,300)
Balance, December 31, 1996	2,076,500	1,019,200	(906,800)	112,400
Issuance of common stock in connection with direct public offering at $5.25 per share, net of expenses of $188,400	415,100	1,990,900	--	1,990,900
Exercise of stock options	21,600	12,600	--	12,600
Conversion of notes payable and accrued interest into common stock at $5.25 per share	14,800	77,800	--	77,800
Recission of shares issued to joint venture	(5,000)	(26,300)	--	(26,300)
Stock issued for current and future services	19,700	94,700	--	94,700
Net loss	--	--	(1,409,300)	(1,409,300)
Balance, December 31, 1997	2,542,700	$ 3,168,900	$(2,316,100)	$ 852,800

The accompanying notes are an integral part of this statement.

ZAP Power Systems and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	1997	1996
Cash flows from operating activities:		
Net loss	$(1,409,300)	$ (817,300)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	67,700	47,400
Allowance for doubtful accounts	(11,400)	7,400
Issuance of common stock for services rendered	92,400	127,400
Loss on abandonment of subsidiary	26,200	--
Amortization of fair value of warrants	56,300	--
Changes in:		
Receivables	(49,400)	(37,600)
Inventories	(20,700)	(188,200)
Prepaid expenses and other	(4,100)	(6,400)
Deposits	2,000	(9,500)
Accounts payable	(139,600)	207,000
Accrued liabilities and customer deposits	126,900	53,900
Income taxes payable	--	(2,700)
Net cash used in operating activities	(1,263,000)	(618,600)
Cash flows from investing activities:		
Purchases of equipment	(128,600)	(80,500)
Patent costs capitalized	(14,900)	--
Net cash used in investing activities	(143,500)	(80,500)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	33,800	336,900
Sale of common stock, net of stock offering costs	2,003,500	524,500
Principal repayments on notes payable	(98,800)	(7,500)
Payments on obligations under capital leases	(13,100)	(5,000)
Cash restricted to payment of certain notes payable	10,000	(10,000)
Net cash provided by financing activities	1,935,400	838,900
NET INCREASE IN CASH	528,900	139,800
Cash, beginning of year	161,600	21,800
Cash, end of year	$ 690,500	$ 161,600

The accompanying notes are an integral part of these statements.

ZAP Power Systems and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	1997	1996
	--------	--------
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 84,763	$ 11,400
Income taxes	1,600	1,600
Non-cash investing and financing activities:		
Conversion of notes payable and accrued interest into common stock	77,800	55,000
Stock issued for future services	2,400	53,600
Stock issued (cancelled) to joint venture	(26,300)	52,500
Warrants issued for financing fees	--	56,300

The accompanying notes are an integral part of these statements.

ZAP Power Systems and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ZAP Power Systems, ("ZAP"), was incorporated in California in September, 1994. ZAP and its wholly-owned subsidiary, Electricycle Corporation, designs, manufactures, and distributes electric bicycle power kits, electric bicycles and tricycles, and other low power electric transportation vehicles. Company products are sold directly to end-users and to distributors throughout the United States.

The Company consolidates the accounts of its wholly-owned subsidiary, Electricycle Corporation ("Electricycle"). All material intercompany balances and transactions are eliminated.

1. Inventories Inventories consist primarily of raw materials, work-in-process, and finished goods and are carried at the lower of cost (first-in, first-out method) or market.

2. Property and Equipment

Property and equipment are stated at cost and depreciated using straight-line and accelerated methods over the assets' estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives are as follows:

Machinery and equipment	7 years
Equipment under capital leases	5 years
Demonstration bicycles	2 years
Office furniture and equipment	7 years
Vehicle	5 years
Leasehold improvements	15 years or life of lease, whichever is shorter

3. Intangibles

Intangibles consist of costs expended to perfect certain patents and are amortized over an estimated useful life of ten years.

4. Income Taxes

The Company accounts for income taxes using an asset and liability approach for financial accounting and reporting purposes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. Recent Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, Reporting Comprehensive Income, which requires that an entity report, by major components and as a single total, the change in its net assets from non-shareholder sources during the period; and SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, which establishes annual and interim reporting standards for an entity's business segments and related disclosures about its products, services, geographic areas and major customers. Adoption of these statements will not impact the Company's financial position, results of operations or cash flows. Both statements are effective for fiscal years beginning after December 15, 1997, with earlier application permitted.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. The amounts estimated could differ from actual results.

7. Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. For certain of the Company's financial instruments, including cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturities. The carrying amount of the bank note payable approximates fair value as current interest rates available to the Company for similar debt are approximately the same. The fair value of related party debt is impracticable to determine.

8. Net Loss Per Common Share

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings Per Share. The Company has adopted SFAS 128 for all periods presented. The adoption of SFAS 128 did not impact previously reported loss per share for the year ended December 31, 1996. SFAS 128 replaces current earnings per share ("EPS") reporting requirements and requires a dual presentation of basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income (loss) attributable to common stockholders by the weighted average of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In 1997 and 1996, outstanding stock options to purchase 875,000 and 1,179,000 shares, respectively, with weighted average exercise prices per share of $1.12 and $.74, respectively, plus warrants to purchase 13,900 and 37,800 shares in 1997, and 1996, respectively, at $5.25 per share, have been omitted from the diluted computation as their inclusion would be anti-dilutive.

ZAP Power Systems and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE B - INVENTORIES

Inventories consist of the following at December 31, 1997:

Raw materials	$144,100
Work-in-process	70,200
Finished goods	53,000

	$267,300
	========

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1997:

Machinery and equipment	$ 54,300
Equipment under capital leases	45,900
Demonstration bicycles	77,500
Office furniture and equipment	57,900
Leasehold improvements	14,900
Vehicle	34,400

	284,900
Less accumulated depreciation and amortization	121,700

	$163,200
	========

NOTE D - NOTES PAYABLE

Unsecured notes to stockholders, with interest at 12%; due on demand.
The noteholders have been issued warrants to purchase, in the aggregate, 2,500 shares of common stock at

$5.25 per share through October, 1999.	$ 46,900
Note to bank, with interest at 15%; principal and interest due in monthly installments and maturing in March, 1998; collateralized by an interest in other checking or savings accounts in the bank and held by the Company.	4,700

	$ 51,600
	=========

ZAP Power Systems and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE E - LONG-TERM DEBT

Unsecured note to a stockholder, with interest at 10%; principal and interest is due when the notes mature in December 1999. The noteholder has been issued warrants to purchase 11,400 shares of common stock at $5.25 per share through December 1999. $ 60,000

NOTE F - CAPITAL LEASES

Minimum future lease payments under capital lease obligations for computer and other equipment are as follows:

Year ending December 31,	
1998	$ 19,900
1999	10,900
2000	900
Total minimum lease payments	31,700
Less amounts representing interest	4,800
Present value of minimum lease payments	26,900
Less current maturities	16,000
	$ 10,900

NOTE G - PROVISION FOR INCOME TAXES

	1997	1996
Current tax liability		
Federal	$ --	$ --
State	1,600	1,600
	$ 1,600	$ 1,600
Deferred tax assets (liabilities)		
Federal tax loss carryforward	$ 695,000	$ 297,000
State tax loss carryforward	132,600	79,000
Other, net	--	(19,600)
	827,600	356,400
Less valuation allowance	(827,600)	(356,400)
Net deferred tax asset	$ --	$ --

NOTE G - PROVISION FOR INCOME TAXES (continued)

The Company has available for carry forward approximately $2,176,000 and $1,500,000 of federal and state net operating losses, respectively, expiring through 2012. The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating losses in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code. There has been no determination whether an ownership change, as defined, has taken place. Therefore, the extent of any limitation has not been ascertained.

A valuation allowance is required for those deferred tax assets that are not likely to be realized. Realization is dependent upon future earnings during the period that temporary differences and carryforwards are expected to be available. Because of the uncertain nature of their ultimate utilization, a full valuation allowance is recorded against these deferred tax assets.

NOTE H - COMMON STOCK

In September, 1996, the Board of Directors authorized a three-for-one stock split. After giving effect to the split, the number of shares outstanding at January 1, 1996 increased from 548,000 to 1,644,000 shares. All share and per share data, including stock options, have been adjusted retroactively to reflect the three-for-one stock split. The number of shares the Company is authorized to issue was also increased from 1 million to 10 million shares.

NOTE I - STOCK OPTIONS AND WARRANTS

Options to purchase common stock are granted by the Board of Directors under two Stock Option Plans, referred to as the 1996 and 1995 plans. Options granted may be incentive stock options (as defined under Section 422 of the Internal Revenue Code) or nonstatutory stock options. The number of shares available for grant under the 1996 and 1995 Plans are 600,000 and 750,000, respectively. Options are granted at no less than fair market value on the date of grant, become exercisable as they vest over a two year period, and expire ten years after the date of grant. Options totaling 769,285 shares were vested under both plans at December 31, 1997.

NOTE I - STOCK OPTIONS AND WARRANTS (continued)

Options activity under the two plans is as follows:

	1996 Plan			1995 Plan	
	Number of Exercise Shares		Weighted Average Price	Number of Exercise Shares	Weighted Average Price
Outstanding at December 31, 1995	501,000	$	1.00	360,000	$0.40
Granted	--		--	318,000	$0.73
Exercised	--		--	--	--
Canceled	--		--	--	--
Outstanding at December 31, 1996	501,000	$	1.00	678,000	$0.55
Granted	110,500	$	4.39	--	$0.40
Exercised	(7,300)	$	1.00	(15,000)	$0.40
Canceled	(174,700)	$	1.13	(216,700)	$0.55
Outstanding at December 31, 1997	429,500	$	1.70	446,300	$0.56

The weighted average fair value of options granted during the years ending December 31, 1997 and 1996 was $3.23 and $.42, respectively.

The following information applies to options outstanding at December 31, 1997:

Range of exercise prices	$.40 - $1.00	$3.68 - $5.25
Options outstanding	787,800	88,000
Weighted average exercise price	$.75	$4.42
Weighted average remaining contractual life (years)	8	9
Options exercisable	748,527	20,758
Weighted average exercise price	$.74	$3.98

The Company has adopted the disclosure only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation (SFAS 123)". Accordingly, no compensation expense has been recognized for stock options issued during 1997 and 1996. Had compensation cost for the Company's options been based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have approximated the following proforma amounts:

NOTE I - STOCK OPTIONS AND WARRANTS (continued)

	1997	1996
Net loss - as reported	$(1,409,300)	$(817,300)
Net loss - pro forma	(1,696,300)	(981,000)
Loss per share - as reported	(.62)	(.45)
Loss per share - pro forma	(.73)	(.54)

The fair value of each option and warrant is estimated on date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1997	1996
Dividends	None	None
Expected volatility	30%	30%
Risk free interest rate	6.38%	6.28%
Expected life	10 years	10 years

Warrants to acquire stock were issued to certain stockholders as additional consideration for providing financial assistance, in the form of notes, to the Company. The fair value of the warrants at time of issuance $56,300, have been amortized to operations during 1997.

NOTE J - JOINT VENTURE

In December 1996, the Company joined with MW McWong International, Inc. ("McWong"), to form ZAP (China), a limited liability corporation registered in California. The Company issued 10,000 shares of its common stock at $5.25 per share to McWong as its investment in the joint venture. The Company became a 50% owner of ZAP (China) LLC.

During 1997, by mutual agreement between the parties, the joint venture was dissolved prior to the commencement of any business activity. In settlement, the Company cancelled 5,000 of the original 10,000 shares issued to McWong and wrote off the balance of the investment, $26,250.

NOTE K - MAJOR CUSTOMER

During 1997, one customer accounted for $430,000 or 26% of the Company's net sales. The Company ceased selling to this customer in late 1997 and is not expected to have any material sales to this customer in 1998. The loss of this customer is not expected to have a material impact on the Company's financial position and results of operations for the coming year. No one customer accounted for 10% or more of the Company's net sales for 1996.

NOTE L - COMMITMENT

The Company rents warehouse and office space under an operating lease that expires in June 1998. The monthly rent of $6,114.40 is adjusted annually to reflect the average percentage increase in the Consumer Price Index. An option exists to extend the lease for two periods of five years each. Future minimum lease payments are $22,000 in 1998. Rent expense under this lease was $63,300 and $52,800 in 1997 and 1996, respectively.

NOTE M - SUBSEQUENT EVENTS

In January 1998, the Company commenced its second direct public offering of its common stock. The Company has offered 500,000 shares at $6.00 per share. The offering is being conducted on a best efforts basis directly by the Company. The proceeds from the offering will be used to increase manufacturing capacity, expand marketing efforts and for general working capital.

On March 11, 1998, the Company's common stock commenced trading on the OTC Bulletin Board under the stock symbol ZAPP.

Item 8. - Changes in and Disagreements with Accountants and Financial Disclosure.

On January 26, 1998, the Company engaged Grant Thornton LLP as the principal accountants to audit the Company's financial statements. Prior to the engagement of Grant Thornton, the Company did not consult with Grant Thornton regarding the application of accounting principals to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered.

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

MANAGEMENT

Name	Age	Position
--------	--------	--------
Gary Starr	42	Managing Director
James McGreen	44	President and Director
Andrew Hutchins	37	General Manager
Sanford Theodore	34	Controller
Jessalyn Nash	38	Director
Lee S. Sannella, M.D.	81	Director
Nancy K. Cadigan	39	Director and Secretary
Richard Balzhiser	65	Member, Advisory Board
Hal Larson	73	Member, Advisory Board
Jack Guy	65	Member, Advisory Board

Gary Starr is Managing Director of the Company. He has been building and driving electric cars for more than 20 years. In addition to overseeing the marketing of more than 9,000 electric bicycles and vehicles, Mr. Starr has invented several solar electric products and conservation devices. Mr. Starr founded U.S. Electricar's electric vehicle operation in 1983. That Company recently signed a licensing agreement with Hyundai.

In 1993, Mr. Starr earned a Private Industry Council Recognition Award for creating job opportunities in the EV industry and was named as one of the ten most influential electric car authorities by Automotive News. More recently, he was honored by the American Lung Association of San Francisco with a Clean Air Award in Technology and was recognized by U.S. Senator Barbara Boxer for his contribution towards clean air.

Mr. Starr has several publications: Electric Cars: Your Guide to Clean Motoring, The Shocking Truth of Electric Cars, and The True Cost of Oil. In addition, he has appeared on more than 300 radio and television talk and news shows (including Larry King Live, The Today Show, Inside Edition, CNN Headline News, Prime Time Live, and the CBS Evening News and the McNeil Lehrer News Hour) as a recognized authority in the field of electric vehicles.

James McGreen, President, has over 25 years experience in design, development, engineering, manufacturing and marketing. He has brought over 100 successful consumer products from conception to the mass market. He has been a pioneer in the ultralight aircraft, personal watercraft, and motorcycle racing fields. He is the founder and/or former president of Protopipe Exhaust Systems, Inc., McGreen Metalworking, Kanemoto Racing and McGreen Development. His commitment to electric transportation began in 1991 with successful competition in Electrathon racing. He holds several records and winning times for this lightweight electric vehicle class. He has been a racer of motorcycles and has built motor parts, frames, chassis and other specialty parts for both manufacturers and other racers. Mr. McGreen has also designed and built composite racing sailboats. A skilled machinist, welder, and tool and die maker, he has designed and built nearly every kind of lightweight motorized vehicle. A prolific inventor, McGreen has filed five patents, (2 granted, 1 pending, 2 expired), in the resource conservation and transportation fields. He also managed the World Championship team that won the World Solar Bicycle Races, in Akita, Japan in 1995. In 1996, McGreen was selected as an honored member of the Who's Who of American Inventors for his positive impact on society.

Andrew Hutchins, General Manager has been involved in the retail bicycle industry since he was 11 years old, when he worked for his family's retail bicycle shop. He successfully started, managed, and operated a retail bicycle store for 11 years prior to selling it for several times his initial investment. He has also worked in the insurance industry for three years and served on the Transportation advisory board for the city of Rohnert Park. Mr. Hutchins received a degree in Business Economics and Communication Studies from the University of California at Santa Barbara in 1982.

Sanford Theodore, Controller has been involved in various financial and accounting positions for over 10 years. Well versed with computerized accounting and auditing processes, he has worked with Optical Coating Laboratory, Western Dairy Products, and Blue Cross. Mr. Theodore received a bachelor's degree in Business Administration from San Diego State University in 1985 and a certificate for Human Resource Management from Sonoma State University in 1996.

Jessalyn Nash, Masters in Business, is an environmental and business consultant to rapid growth entrepreneurial companies. She has specialized in marketing, distributor relations and sales programs. Ms. Nash previously held positions with NeXT, Inc. and in National Sales and Marketing with Apple Computer, Inc. Ms. Nash has been an environmental advocate for over 20 years. She has operated her consulting business since 1989.

Lee Sannella, M.D. has been an active researcher in the fields of alternative transportation, energy and medicine for more than 25 years. Dr. Sannella has been a founding shareholder in many start up high tech companies. He was a Director of U.S. Electricar from 1983 to 1992. A graduate of Yale University, he maintained an active medical practice for many years in ophthalmology and psychiatry. He worked with the Sonoma Medical Society on improving radiation standards and is a best-selling author. He has served on advisory boards of the City of Petaluma, California, on the Board of Directors of the San Andreas Health Council of Palo Alto, the Veritas Foundation of San Francisco, and the AESOP Institute.

Nancy K. Cadigan assisted Jim McGreen in managing McGreen Development, the research organization that developed the original ZAP Power System. She has broad experience in sales, trade show events, and office management. With an educational background in Recreation and Leisure, Ms. Cadigan has worked in public and commercial recreation for more than twenty years. She has also worked on women's health issues and has counseled women in crisis situations. She has conducted public education classes on recycling, reuse and composting practices. Currently, Ms. Cadigan is involved in organic farming. In all of her work, she looks for environmentally sound solutions to ordinary problems and has been a strong advocate of the ZAP mission since its inception. In the past five years she has worked for the Oakland Parks and Recreation Department (1990-92), Alameda Waste Management Authority (1992-93), Urban Ore (1993-94), McGreen Development (1994), ZAP Power Systems (1994-present), and Women's Health Specialists (1995-present).

Advisory Board.

Dr. Richard E. Balzhiser, President Emeritus of the Electric Power Research Institute (EPRI) served as President and CEO of EPRI from 1988-1996. He joined EPRI in 1973 at the time of its founding after serving as Deputy Director for Energy and Environment in the White House Office of Science and Technology. Dr. Balzhiser currently serves on the Houston Industries and Electrosource Boards as well as Advisory boards to Mobil, MIT, University of Michigan and the University of Wisconsin. He is chairing committees for the World Bank and World Energy Council. Dr. Balzhiser earned his Ph.D. from the University of Wisconsin.

Hal Larson was the Executive Creative Director for the advertising agency Tatham, Laird & Kudner. He has been responsible for the advertising for Kraft Cheese, Sears, Quaker, 7-UP, and Oscar Meyer. He also served as Creative Director of J. Walter Thompson and West Coast Creative Director of Cunningham & Walsh. Mr. Larson has directed advertising for the Republican National Committee and has written several books and lectured at several Universities. Mr. Larson earned his B.S. degree from the University of Oregon and his M.S. degree from Boston University.

Jack Guy has been employed by the Electric Power Research Institute (EPRI) since 1974. He is responsible for commercializing EPRI's new products and technologies in Electric Transportation. From 1956 to 1974, Mr. Guy was a manager for General Electric Co. Mr. Guy has also served as a special agent for the U.S. Army Counterintelligence Corps.

Indemnification of Directors and Officers

The Company's Articles of Incorporation provide that the liability of the directors for monetary damages shall be limited to the fullest extent permissible under California law. Insofar as indemnification for liabilities arising under the federal securities laws may be permitted to directors, officers and controlling persons of the Company pursuant to that provision, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in those laws and is, therefore, unenforceable.

Director Term of Office and Compensation

All directors' terms of office expire at the next annual meeting of shareholders. The Company's directors do not receive any cash compensation for their service on the Board of Directors, but directors may be reimbursed for certain expenses in connection with their attendance at Board meetings.

Item 10. EXECUTIVE COMPENSATION

Summary Compensation Table

		Annual Compensation			Long Term Compensation: Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(I)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Res-tricted Stock Award ($)	Secur-ities Underlying Options/ SARs (#)	LTIP Payouts ($)	All other Compensa-tion ($)
Gary Starr	1994	$ 0						
Managing	1995	$ 21,000				72,000		
Director	1996	$ 31,000			$3,750	60,000		
	1997	$ 35,000			$2,250			
James								
McGreen	1994	$ 0						
President	1995	$ 33,000				72,000		
	1996	$ 33,000			$3,750	60,000		
	1997	$ 38,000			$2,250			

Option/SAR Grants in Last Fiscal Year
Individual Grants

(a) Name	(b) Number of securities Underlying Options/SARs Granted (#)	(c) % of Total Options/SARs Granted to Employees in Fiscal Year	(d) Exercise or Base Price ($/sh)	(e) Expiration Date
None				

Item 11. Security Ownership and Certain Beneficial Owners and Management

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Company's Common Stock as of March 27, 1998 for each shareholder known by the Company to own beneficially 5% or more of the outstanding shares of its Common Stock. The Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by them, have sole investment and voting power with respect to their shares, subject to community property laws where applicable.

5% Shareholders:	Shares Beneficially Owned	Percentage of Common Shares at March 27, 1998 (2,568,331 shares)
James McGreen	703,850*	28%
Gary Starr	522,028*	20%
All directors and executive officers as a group	1,225,878	48%

Includes 114,500 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options but excludes 17,500 shares of Common Stock issuable under options but not currently exercisable.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ZAP POWER SYSTEMS FOR THE YEAR ENDED DECEMBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	DEC 31 1997
CASH	690,500
SECURITIES	0
RECEIV ABLES	126,700
ALLOWANCES	(5,000)
INVENTORY	267,300
CURRENT ASSETS	1,145,100
PP&E	284,900
DEPRECIA TION	121,700
TOTAL ASSETS	1,342,000
CURRENT LIABILITIES	418,300
BONDS	70,900
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	3,168,900
OTHER SE	(2,316,100)
TOTAL LIABILITY AND EQUITY	1,342,000
SALES	1,640,200
TOTAL REVENUES	1,640,200
CGS	1,274,700
TOTAL COSTS	1,274,700
OTHER EXPENSES	1,699,500
LOSS PROVISION	5,000
INTEREST EXPENSE	84,800
INCOME PRETAX	(1,407,700)
INCOME TAX	1,600
INCOME CONTINUING	(1,409,300)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(1,409,300)
EPS PRIMARY	(0.62)
EPS DILUTED	(0.62)

99. Additional Exhibits - Subsequent events

In March 1998, the Company signed a contract with Central & Southwest Utility Co. for the sale of one million dollars in product for the duration of one year. The customer will have exclusive distribution rights to sell ZAP products in eight Midwestern States for certain channels of distribution.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZAP POWER SYSTEMS
(Registrant)

By

Gary Starr - Managing Director & Chief Financial Officer

Date

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By

James McGreen - President and Director

Date

By

Nancy K. Cadigan - Secretary and Director

Date

By

Sanford Theodore - Principal Accounting Officer and Controller

Date

c. Estados financieros 1998.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 1998

ZAP POWER SYSTEMS
(Name of small business issuer in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization)	94-3210624 (I.R.S. Employer Identification No.)

117 Morris Street
Sebastopol, CA 95472
(707) 824-4150

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered under section 12(b) of the Exchange Act:
None

Securities registered under section 12(g) of the Exchange Act:
None

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. Yes X No

State issuer's revenues for its most recent fiscal year. $3,518,600

The aggregate market value of the Company's voting common stock held by non-affiliates as of March 30, 1999, based on the average Bid and Ask price on that date was $12,123,380.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

3,494,924 shares of common stock as of March 30, 1999.

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Part I

Item 1. Description of Business

The information on Form 10-KSB and the documents incorporated herein by reference contain forward-looking statements based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Forward Looking Statements."

A. Business Development

ZAP Power Systems (the "Company" or "ZAP") was incorporated under the laws of the state of California, on September 23, 1994. At its Sebastopol facilities, the Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, and other electric transportation vehicles.

The Company objective is to leverage its proprietary technology and name recognition to serve a number of high potential markets in the electric bicycle, electric scooter, and in the electric transportation industry. On February 10, 1998, NASD cleared ZAP Power Systems' common stock for quotation on the OTC Bulletin Board under the symbol "ZAPP". Since the Company's management believed that the primary barrier to widespread use of electric vehicles was their high cost, the Company's activity and revenue was initially derived from development contracts from a foreign private entity and from domestic government agencies. These contracts were set up to develop low cost Zero Air Pollution (or ZAP) type electric vehicles. Now the Company is focusing on the manufacturing and distribution of these electric vehicle products.

During the first quarter of 1998, the Company introduced a new line of electric scooter known as the ZAPPY(TM). The product accounted for over 38% of net sales for the year. Throughout 1998, ZAP continued to increase its emphasis on the overseas market with approximately 21% of its sales being generated from foreign entities.

The Company was issued its first United States Patent on February 13, 1996 on its electric motor power system for bicycles, tricycles, and scooters (Patent #5,491,390). On September 30, 1997, the Company was issued its second United States Patent on its electric motor system (Patent #5,671,821). On December 15, 1998, the Company was issued a third United States Patent for its ZAPPY(TM) scooter (Patent #5,848,660). A Trademark for the name "ZAP" was issued to James McGreen on September 28, 1993 and assigned to the Company on September 23, 1994.

B. Business of Issuer

The Company manufactures an electric motor system that is sold as a kit to be installed by the customer on their own bicycle. The system was designed to assist the rider during more difficult riding situations, rather than as a replacement for pedaling. The Company also installs the motor system on specially designed bicycles that the Company has manufactured under contract. The completed bicycles, with motor, are then sold to the customer. Additionally, the Company produces the electric scooter, known as the ZAPPY(TM), which is manufactured by the Company, using parts manufactured by various subcontractors. The Company is an U.S. distributor of the Electricycle(TM) scooter that is imported from China and is a distributor of an electric motorcycle.

The Company manufactures several electric motor kits that have up to 62 unique parts. The electric motor kit manufacturing and installation of the motor systems to the bicycles is done at its Sebastopol location. The electric motors are purchased from an original equipment manufacturer (OEM) in the auto and air-conditioning industry. The Company is using one company for its motors, although there are other companies that could be used with slight modifications to the motor support brackets. The batteries are standard batteries used in the computer industry for power interrupt systems. The electronic system uses standard electronic components. The Company has a contractual relationship with Smith & Wesson who provides the Company with Law Enforcement Bicycles. The Company has agreed to purchase at least 250 bikes from Smith & Wesson in exchange for specific exclusive distribution and pricing rights. The Company has no other contractual agreements with any of its other vendors
.

The electric bicycle industry has four (4) major manufacturers and a large group of small manufacturers. The major manufacturers are Honda, Suzuki, Sanyo and Yamaha. They mainly sell products into Japan and China. The other group of manufacturers is much smaller in size and sales volume. These manufacturers have products that sell into the U.S., European, and Asian markets. The Company does not consider electric bicycle industry sales numbers very accurate at this point in time. As such the Company's position in terms of global sales volumes is not readily determinable, however the Company believes it currently holds leading electric bicycle market position in the United States.

Item 2. Description of Property

The Company leases its manufacturing and office facilities, consisting of 9,500 square feet, at 111 & 117 Morris Street, Sebastopol, CA. The Company's property consists primarily of manufacturing equipment, and office computer systems. The aggregate monthly lease payments total $6,614.40 per month. The landlords are Daniel O. Davis and Robbin H. Davis. It is management's opinion that the Company's insurance policies cover all insurance requirements of the landlord. The Leases on both properties expire on June 1, 2001. Each has a renewal option for one additional three-year period. The Company owns the basic tools, machinery, and equipment necessary for the conduct of its production, research and development, and vehicle prototyping activities.

As of December 31, 1998, the Company has 45 full-time and 11 part-time employees. Most of the employees work at the Company's Sebastopol, California locations except for one employee who travels throughout California seeking sales opportunities.

Item 3. Legal Proceedings

The company has become aware that a company named Omni under the leadership of an individual named Joseph Stevenson has been advertising and selling an electric system for bicycles called EROS (electric regenerative operating system). The Company's management, in consultation with patent counsel, has determined after analysis that the EROS system infringes the Company's patents and has filed suit against EROS. Although the Company believes its claims are meritorious and the patents for the ZAP system are valid, it is possible, as in any suit, that the Company may be unable to prove infringement or that Mr. Stevenson may establish, either in litigation or in a reexamination proceeding before the Patent Office that the Company's patents are not valid. If the Company's patents are held to be invalid, the Company's ability to prevent competitors from manufacturing or selling bicycles with the patented system will be significantly reduced.

The loss of the patents or a significant damage award against the Company could have a material adverse effect upon the business and financial condition and prospects of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of stockholders of the Company during the fourth quarter of the Company's 1998 year.

Part II

Item 5. Market for Common Equity and Related Stockholder Matters

In January of 1998, the Company commenced its second direct public offering of its Common Stock, offering for sale 500,000 shares at $6.00 per share. On March 11, 1998, the Company's Common Stock commenced trading on the OTC Bulletin Board under the stock symbol "ZAPP". During 1998, the Company sold 78,847 shares and received $381,986 in proceeds. The offering was closed in January, 1999. Additionally in 1998, the Company 1) realized $15,000 in proceeds from the exercise of stock options and issued 15,000 shares, 2) converted $14,317 in notes payable and accrued interest into 2,727 shares ($5.25 per share) and, 3) issued 25,136 shares in payment for current and future services at an average price per share of $5.98.

Prior to the completion of the second direct public offering in January of 1999, the Company sold 400 shares and realized gross proceeds of $2,400. Additionally in 1999, the Company 1) issued 268 shares in payment for current and future services at a price of $6.00 per share, and 2) realized $18,000 in proceeds from the exercise of stock options and issued 45,000 shares. On March 30, 1999, ZAP completed a private placement of 678,808 shares of its common stock at a price of $3.02 per share and realized net proceeds of $1,852,500, (See Note J to the Accompanying Financial Statements). In addition, the Company converted $212,000 of its remaining debt into equity and issued 70,199 common shares.

As of December 31, 1998 the Company had 1,930 holders of the common stock.

Item 6. Management's Discussion and Analysis of Plan of Financial Condition and Results of Operations.

Overview

The Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, and other electric transportation vehicles. Historically, unit sales have been approximately 50% kits, 30% electric bicycles, and 20% electric scooters. Dollar sales have been 30% kits, 35% electric bicycles, and 35% electric scooters.

The Company sells its electric bicycles, kits and scooters to internet and retail customers, international distributors, law enforcement agencies, electric utility companies, bicycle dealerships, motorcycle dealers, and mail order catalogs. The Company sells to the mail order catalogs and selected customers on credit with net 30-day, 45-day, or 60-day terms. Some of these accounts are factored with a local bank. Many of the smaller dealerships are sold cash on delivery. The internet and retail sales are primarily paid for with a credit card or personal check before shipment of the product
.
The Company's growth strategy is to increase net sales by increasing distribution channels through its website at zapbikes.com, retail organizations and wholesale distributors both domestically and overseas as well as setting up Company outlet and Franchise stores to assist in the retail sales arena. In March, 1999, ZAP received payment for a franchise store in Hollywood, FL and a deposit for a franchise store in Key West, FL. The Company intends to continue to increase its production capability to meet the increasing demand for its product. The Company also plans to continue to develop the products with the goal of being the low cost leader in the industry. Product improvements, new product introductions, and the expansion of the ZAP electric outlet franchise network are continuing to enlarge ZAP's presence in the electric vehicle industry.

Results of Operations

Year Ended December 31, 1997 Compared to Year Ended December 31, 1998

Net sales for the year ended December 31, 1998 were $3,518,600 compared to $1,640,200 in the prior year, an increase of $1,878,400 or 115%. The increase in sales was primarily due to the Company's introduction of the ZAPPY(TM) scooter that accounted for $1,369,600 or 39% of total sales. Additionally, international sales of bicycles and kits, including the new single speed low cost motor system for 1998 increased $520,500 over 1997 levels as new dealers acquired interest in selling ZAP products overseas. During the year ended December 31, 1998, $617,000 in sales, representing 18% of total sales, was with one customer. In 1997, a different single customer accounted for 26% of the Company's net sales.

Gross profit. Gross profit increased as a percentage of net sales, to 32% from 22%. The total gross profit increased $761,800 or 208%. The increase in gross profit dollars can principally be attributed to the gross margins realized on the sales of the new ZAPPY(TM)scooter. Total gross profit for the ZAPPY(TM) scooter was $421,300. The increase in gross margin percentage was the result of greater cost controls and improved efficiencies in the manufacturing process of all products for the year ended December 31, 1998 as compared to the year ended December 31, 1997. Direct materials were 58% of net sales for the year ended December 31, 1998 as compared to 70% of net sales for the year ended December 31, 1997.

Selling. Selling expenses in 1998 were $967,700. This was an increase of $334,700 or 53% from 1997 to 1998. As a percentage of sales, selling expenses decreased from 39% of sales to 28% of sales. Costs increased as a result of additional personnel being added to the sales force, increased promotion through the internet, a print media campaign, and added marketing efforts overseas.

General and administrative expenses for 1998 were $979,200. This is an increase of $158,800 or 19% over 1997. As a percentage of sales, general and administrative expense decreased from 50% to 28% of net sales. Expense increases during 1998 as compared to 1997 occurred due to added personnel in the administrative and accounting areas. Additionally, a consultant was enlisted to assist with obtaining additional equity funding.

Research and development decreased $43,500 or 18% from 1997 to 1998. As a percentage of net sales it decreased from 15% to 6% respectively. Extensive efforts in developing the ZAPPY(TM) scooter and single speed low-cost motor system resulted in higher research and development costs in 1997 that were not duplicated in 1998.

Other income (expense). Interest expense increased to $100,300 in 1998, an increase of $15,500 over 1997. This increase can primarily be attributed to the amortization of the fair value of warrants issued to an investment banker for securing equity financing for the company.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1997

Net sales for the year ended December 31, 1997 were $1,640,200 compared to $1,170,900 in the prior year, an increase of $469,300 or 40%. The increase in sales is attributed to an increased demand for complete electric bicycles, electric motor kits, and scooters. Much of the increase was in dealer and international sales. During the year ended December 31, 1997, $430,000 in sales representing 26% of total net sales were with one customer. The company ceased selling products to this customer in late 1997 and is not expected to have any material sales to this customer in 1998. The loss of this one customer is not expected to have a material adverse affect on the company's results of operations in future periods. In 1996, no one customer accounted for 10% of more of the company's net sales.

Gross profit. Gross profit decreased as a percentage of net sales, from 26% to 22%. Early year liquidation of 1996 models and up-front costs incurred in developing the new ZAPPY(TM) scooter resulted in a lower gross-margin percentage. The total gross profit increased $57,300 or 19% due to the increase in net sales from 1996 to 1997.

Selling. Selling expenses in 1997 were $633,000. This was an increase of $156,200 or 33% from 1996 to 1997. As a percentage of sales, selling expenses decreased from 41% of sales to 39% of sales. This was due to an increase in sales dollars as well as a reduction in marketing efforts towards auto dealerships and other dealer outlets. There was minimal change in sales and marketing personnel.

General and administrative expense. General and administrative expenses in 1997 were $820,400. This was an increase of $265,600 or 48% from 1996 to 1997. As a percentage of net sales, General and Administrative expenses increased from 47% in 1996 to 50% in 1997. This result was due to added employees in General and Administrative areas and administrative supplies.

Research and development expense. Research and development expenses in 1997 were $246,100, an increase of 145,700 or 145% from 1996 to 1997. As a percentage of sales, research and development expenses increased from 9% to 15% respectively. These increases were due to the heightened efforts in developing the new ZAPPY(TM) Scooter, the single speed lower cost motor-system for bicycles, and a low cost "Z-Bike" for overseas markets. Also, additional patents were filed. In 1997, the increase in funds available for research resulting from the Company's Direct Public Offering also contributed to the increase in research and development expenses in 1997 over 1996 levels.

Other income (expense). Interest expense increased to $84,800 in 1997, an increase of $73,400 over 1996. The increase can be attributed to 1) the amortization of the fair value of warrants issued in connection with previous debt financings of $56,300 and, 2) the increase in interest expense on outstanding loans in 1997 of approximately $17,000. Such increase results from the loans being outstanding for a longer time period in 1997 as compared to 1996.

Liquidity and Capital Resources
The Company used cash from operations of $1,307,400 and $1,263,000 during the years ended December 31, 1998 and 1997 respectively. Cash used in operations in 1998 was the result of the net loss incurred for the year of $1,109,400, offset by net non-cash expenses of $255,300, and the net change in operating assets and liabilities resulting in a further use of cash of $453,300. Cash used in operations in 1997 was the result of the net loss incurred for the year of $1,409,300, offset by non-cash expenses of $231,200, and the net change in operating assets and liabilities resulting in a further use of cash of $84,900.

Investing activities used cash of $161,900 and $143,500 during the years ended December 31, 1998 and 1997 respectively. The uses of cash were for the purchase of fixed assets and additional capitalized patent costs.

Financing activities provided cash of $1,254,100 and $1,935,400 during the years ended December 31, 1998 and 1997 respectively. In both years, the cash provided by financing activities resulted from the sales of common stock and issuance of notes payable, $1,280,800 and $2,037,300 for the years ended December 31, 1998 and 1997 respectively, offset by principal payments on outstanding debt.

At December 31, 1998 the Company had cash and cash equivalents of $475,300 as compared to $690,500 at December 31, 1997. At December 31, 1998, the Company had working capital of $128,600, as compared to working capital of $726,800 at December 31, 1997. The decrease in cash and cash equivalents is primarily due to losses from operations. The decrease in working capital is due to the shortterm liability on the outstanding notes payable. The Company, at present, does not have a credit facility in place with a bank or other financial institution. The Company has established an accounts receivable facility that is guaranteed by the U.S. Exim Bank. The Company believes that the cash and cash equivalents on hand at December 31, 1998, along with the equity financing received in March 1999 of $1,852,500 from the sale of 678,808 shares of common stock will be sufficient to allow the Company to continue its expected level of operations for at least 12 months.

The Company's primary capital needs are to fund its growth strategy, which includes increasing its internet shopping mall presence, increasing distribution channels, establish company owned and franchised ZAP stores, introducing new products, improving existing product lines and development of strong corporate infrastructure.

Dates following December 31, 1999 and beyond (the "Year 2000 Problem")

Many existing computer systems and applications, and other devices, use only two digits to identify a year in the date field, without considering the impact of the upcoming change in the century. Such systems and applications could fail or create erroneous results unless corrected. The Company relies on its internal financial systems and external systems of business enterprises such as customers, suppliers, creditors, and financial organizations both domestically and globally, directly and indirectly for accurate exchange of data. The Company has evaluated such systems and has taken the appropriate steps that it believes address the concerns of the Year 2000 Problem. However, even though the internal systems of the Company are not materially affected by the Year 2000 issue the Company could be affected through disruption in the operation of the enterprises with which the Company interacts.

Seasonality and Quarterly Results

The Company's business is subject to seasonality influences. Sales volumes in the bicycle industry typically slow down during the winter months, November to March.

Inflation

The Company's raw materials are sourced from stable cost competitive industries. As such the Company does not foresee any material inflationary trends for its raw material sources.

Item 7 FINANCIAL STATEMENTS

C O N T E N T S

Report of Independent Certified Public Accountants

To the Board of Directors
ZAP Power Systems

We have audited the accompanying balance sheet of ZAP Power Systems as of December 31, 1998, and the related statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZAP Power Systems as of December 31, 1998, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 1998, in conformity with generally accepted accounting principles.

GRANT THORNTON LLP
San Jose, California
February 26, 1999, except for
Note J, as to which the date is
March 30, 1999

ZAP Power Systems

BALANCE SHEET

December 31, 1998

ASSETS

CURRENT ASSETS	
Cash	$ 475,300
Accounts receivable, net of allowance for doubtful accounts of $35,000	283,800
Inventories	633,900
Prepaid expenses and other assets	97,800
Total current assets	1,490,800
PROPERTY AND EQUIPMENT - NET	177,000
OTHER ASSETS	
Intangibles, net of accumulated amortization of $7,800	80,000
Deposits	11,900
	91,900
Total assets	$ 1,759,700

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 334,200
Accrued liabilities and customer deposits	150,700
Notes payable, net of unamortized discount of $30,900	867,000
Current maturities of obligations under capital leases	10,300
Total current liabilities	1,362,200
OTHER LIABILITIES	
Long-term debt	11,200
Obligations under capital leases, less current maturities	600
	11,800
STOCKHOLDERS' EQUITY	
Common stock, no par value; 10,000,000 shares authorized 2,664,700 shares issued and outstanding	3,731,800
Accumulated deficit	(3,346,100)
	385,700
Total liabilities and stockholders' equity	$ 1,759,700

The accompanying notes are an integral part of this statement.

ZAP Power Systems
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31,1998 and 1997

	1998	1997
NET SALES	$ 3,518,600	$ 1,640,200
COST OF GOODS SOLD	2,391,300	1,274,700
GROSS PROFIT	1,127,300	365,500
OPERATING EXPENSES		
Selling	967,700	633,000
General and administrative	979,200	820,400
Research and development	202,600	246,100
	2,149,500	1,699,500
LOSS FROM OPERATIONS	(1,022,200)	(1,334,000)
OTHER INCOME (EXPENSE)		
Interest expense	(100,300)	(84,800)
Miscellaneous	13,900	11,100
	(86,400)	(73,700)
LOSS BEFORE INCOME TAXES	(1,108,600)	(1,407,700)
PROVISION FOR INCOME TAXES	800	1,600
NET LOSS	$(1,109,400)	$(1,409,300)
NET LOSS PER COMMON SHARE		
Basic and diluted	$ (0.42)	$ (0.62)
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING		
Cash restricted to payment of certain notes payable	2,614,563	2,289,165

The accompanying notes are an integral part of these statements.

ZAP Power Systems and Subsidiary

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years ended December 31, 1998 and 1997

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance, January 1, 1997	2,076,500	$ 1,019,200	$ (906,800)	$ 112,400
Issuance of common stock in connection with direct public offering at $5.25 per share, net of expenses of $188,400	415,100	1,990,900	--	1,990,900
Excersise of stocks options	21,600	12,600	--	12,600
Conversion of notes payable and accrued interest into common stock at $5.25 per share	14,800	77,800	--	77,800
Recission of shares issued to joint venture	(5,00)	(26,300)	--	(26,300)
Stock issued for current and future services	19,700	94,700	--	94,700
Net loss	--	--	(1,409,300)	(1,409,300)
	2,542,700	(3,168,900)	(2,316,100)	852,300
Balance, December 31, 1997				
Issuance of common stock in connection with direct public offering at $6 per share, net of expenses of $91,000	78,800	383,300	--	383,300
Fair value of stock options granted to non-employees	--	--	17,600	17,600
Exercise of stock options	15,00	15,00	--	383,300
Conversion of notes payable and accrued interest into common stock at $5.25	2,700	14,300	--	14,300
Issuance of warrants in connection with debt placement	--	--	61,800	61,800
Stock issued for current and future services	25,500	150,300	--	150,300
Net loss	--	--	(1,109,400)	(1,109,400)
Balance, December 31, 1997	2,664,700	$ 3,731,800	$(3,346,100)	$ 385,700

The accompanying notes are an integral part of this statement.

ZAP Power Systems

STATEMENTS OF CASH FLOWS

Years ended December 31,

	1998	1997
Cash flows from operating activities:		
Net loss	$(1,109,400)	$(1,109,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	86,500	67,700
Allowance for doubtful accounts	(30,000)	(11,400)
Issuance of common stock for services rendered	150,300	92,400
Issuance of stock options for services rendered	17,600	--
Loss on abandonment of subsidiary	--	26,200
Amortization of fair value of warrants	30,900	56,300
Changes in:		
Receivables	(192,100)	(49,400)
Inventories	(366,600)	(20,700)
Prepaid expenses and other	(32,200)	(4,100)
Deposits	1,600	2,000
Accounts payable	172,600	(139,600)
Accrued liabilities and customer deposits	(36,600)	126,900
Net cash used in operating activities	(1,307,400)	(1,263,000)
Cash flows from investing activities:		
Purchases of equipment	(97,800)	(128,600)
Patent costs capitalized	(64,100)	(128,600)
Net cash used in investing activities	(161,900)	(143,500)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	882,500	33,800
Sale of common stock, net of stock offering costs	398,300	2,003,500
Principal repayments on notes payable	(10,700)	(98,800)
Payments on obligations under capital leases	(16,000)	(13,100)
Cash restricted to payment of certain notes payable	--	10,000
Net cash provided by financing activities	1,254,100	1,935,400
NET INCREASE/(DECREASE) IN CASH	(215,200)	528,900
Cash, beginning of year	690,500	161,600
Cash, end of year	$ 475,300	$ 690,500

The accompanying notes are an integral part of these statements

ZAP Power Systems

STATEMENTS OF CASH FLOWS

Years ended December 31,

	1998	1997
	--------	--------
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 69,400	$ 84,763
Income taxes	800	1,600
Non-cash investing and financing activities:		
Conversion of notes payable and accrued interest into common stock	14,300	77,800
Stock issued for future services	150,300	94,700
Stock issued (cancelled) to joint venture	--	(26,300)

The accompanying notes are an integral part of these statements.

ZAP Power Systems

NOTES TO FINANCIAL STATEMENTS

December 31, 1998 and 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ZAP Power Systems, ("ZAP"), was incorporated in California in September, 1994. ZAP designs, manufactures, and distributes electric bicycle power kits, electric bicycles and tricycles, and other low power electric transportation vehicles. Company products are sold directly to end-users and to distributors throughout the United States.

1. Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods and are carried at the lower of cost (first-in, first-out method) or market.

2. Property and Equipment

Property and equipment are stated at cost and depreciated using straight-line and accelerated methods over the assets' estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives are as follows:

Machinery and equipment	7 years
Equipment under capital leases	5 years
Demonstration bicycles	2 years
Office furniture and equipment	7 years
Vehicle	5 years
Leasehold improvements	15 years or life of lease, whichever is shorter

3. Intangibles
Intangibles consist of costs expended to perfect certain patents and are amortized over an estimated useful life of ten years.

4. Income Taxes

The Company accounts for income taxes using an asset and liability approach for financial accounting and reporting purposes.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. The amounts estimated could differ from actual results.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6. Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. For certain of the Company's financial instruments, including cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturities. The carrying amount of the bank note payable and current notes payable approximate fair value as current interest rates available to the Company for similar debt are approximately the same. The fair value of related party notes payable is impracticable to determine.

7. Net Loss Per Common Share

Net loss per common share, basic and dilutive, has been computed using weighted average common shares outstanding. The effect of outstanding stock options and warrants has been excluded from the dilutive computation as their inclusion would be anti-dilutive.

NOTE B – INVENTORIES

Inventories consist of the following at December 31, 1998:

Raw materials	$ 442,100
Work-in-process	104,100
Finished goods	87,700

	$633,900
	========

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1998:

Machinery and equipment	$ 81,600
Equipment under capital leases	45,900
Demonstration bicycles	89,600
Office furniture and equipment	76,000
Leasehold improvements	25,400
Vehicle	56,200
	374,700
Less accumulated depreciation and amortization	197,700

	$177,000
	========

NOTE D - NOTES PAYABLE

Unsecured notes to stockholders, with interest at 12%; due on demand. The noteholders have been issued warrants to purchase, in the aggregate, 2,500 shares of common stock at $5.25 per share through October, 1999. $ 32,800

Unsecured note to a stockholder, with interest at 10%; principal and interest is due when the notes mature in December 1999. The
noteholder has been issued warrants to purchase 11,400 shares of common stock at $5.25 per share through December 1999. 60,000.

Notes secured by inventory, with interest at 12%, due March, 1999. Notes are convertible into common stock at $3.02 per share through
March, 1999. 800,000

Less fair value of unamortized cost of warrants issued in connection with the debt (30,900) 769,100

Note to bank, with interest at 3.9%, principal and interest

due in monthly installments through January 2002.	16,300

Less current portion	878,200
	867,000

Long-term debt	$ 11,200
	=========

NOTE E - CAPITAL LEASES

Minimum future lease payments under capital lease obligations for computer and other equipment are as follows:

Year ending December 31,	

1999	$ 10,900
2000	900

Total minimum lease payments	11,800
Less amounts representing interest	900

Present value of minimum lease payments	10,900
Less current maturities	10,300

	600
	===========

NOTE F - PROVISION FOR INCOME TAXES

	1998	1997
Current tax liability		
Federal	$ --	$ --
State	800	$ 1,600
	$ 800	$ 1,600
Deferred tax assets (liabilities)		
Federal tax loss carryforward	$ 1,037,100	$ 695,000
State tax loss carryforward	177,200	132,600
	1,214,300	827,600
Less valuation allowance	(1,214,300)	(827,600)
Net deferred tax asset	$ --	$ --

The Company has available for carryforward approximately $3,050,300 and $1,998,000 of federal and state net operating losses, respectively, expiring through 2012. The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating losses in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code. There has been no determination whether an ownership change, as defined, has taken place. Therefore, the extent of any limitation has not been ascertained.

A valuation allowance is required for those deferred tax assets that are not likely to be realized. Realization is dependent upon future earnings during the period that temporary differences and carry forwards are expected to be available. Because of the uncertain nature of their ultimate utilization, a full valuation allowance is recorded against these deferred tax assets.

NOTE G - STOCK OPTIONS AND WARRANTS

Options to purchase common stock are granted by the Board of Directors under two Stock Option Plans, referred to as the 1996 and 1995 plans. Options granted may be incentive stock options (as defined under Section 422 of the Internal Revenue Code) or non statutory stock options. The number of shares available for grant under the 1996 and 1995 Plans are 600,000 and 750,000, respectively. Options are granted at no less than fair market value on the date of grant, become exercisable as they vest over a two year period, and expire ten years after the date of grant. Options totaling 832,117 shares were vested under both plans at December 31, 1998.

Options activity under the two plans is as follows:

	1996 Plan		1995 Plan	
	Number of Exercise Shares	Weighted Average Price	Number of Exercise Shares	Weighted Average Price
Outstanding at December 31, 1996	501,000	$1.00	678,000	$ 0.55
Granted	110,500	$4.39	--	$ 0.40
Exercised	(7,300)	$1.00	(15,000)	$ 0.40
Canceled	(174,700)	$1.13	(216,700)	$ 0.55
Outstanding at December 31, 1997	429,500	$1.70	446,300	$ 0.56
Granted	102,800	$4.65	--	--
Exercised	(15,000)	$1.00	--	--
Canceled	(26,500)	$1.48	(27,400)	$ 0.40
Outstanding at December 31, 1998	490,800	$2.35	418,900	$0.56

The weighted average fair value of options granted during the years ending December 31, 1998 and 1997 was $3.66 and $3.23, respectively.

The following information applies to options outstanding at December 31, 1998:

Range of exercise prices	$.40 - $1.00	$3.68 - $5.25
Options outstanding	722,900	186,800
Weighted average exercise price	$.75	$4.55
Weighted average remaining contractual life (years)	7	8
Options exercisable	722,900	109,175
Weighted average exercise price	$.75	$4.64

NOTE G - STOCK OPTIONS AND WARRANTS (continued)

The Company has adopted the disclosure only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock- Based Compensation (SFAS 123)". Accordingly, no compensation expense has been recognized for stock options issued during 1998 and 1997. Had compensation cost for the Company's options been based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have approximated the following proforma amounts:

	1998	1997
Net loss - as reported	$ (1,109,400)	$ (1,409,300)
Net loss - pro forma	(1,254,600)	(1,696,300)
Loss per share - as reported	(.42)	(.62)
Loss per share - pro forma	(.48)	(.73)

The fair value of each option and warrant is estimated on date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1998	1997
Dividends	None	None
Expected volatility	100%	30%
Risk free interest rate	6.00%	6.28%
Expected life	10 years	10 years

In connection with the issuance of $800,000 of notes payable in 1998, the Company issued 20,000 warrants at $4.00 per share, to purchase the Company's common stock, to an entity that assisted the Company in arranging the financing. The warrants are immediately exercisable and expire September, 2001. The fair value of warrants at the time of issuance was $61,800 and is being amortized as additional interest expense over the term of the debt. During 1998, $30,900 was amortized to operations.

NOTE H – CONCENTRATIONS

During 1998, one customer accounted for $617,000 or 17.5% of the Company's net sales. The loss of this customer is not expected to have a material impact on the Company's financial position and results of operations for the coming year.

During 1997, one customer accounted for $430,000 or 26% of the Company's net sales. The Company ceased selling to this customer in late 1997 and did not have any material sales to this customer in 1998.

ZAP Power Systems

NOTES TO FINANCIAL STATEMENTS

December 31, 1998 and 1997

NOTE I – COMMITMENT

The Company leases warehouse and office space under two operating leases that expire in June, 2001. The aggregate monthly rent is $6,600 and is adjusted annually to reflect the average percentage increase in the Consumer Price Index. An option exists to extend each lease for an additional three year period. Rent expense under these leases were $79,400 and $52,800 in 1998 and 1997, respectively.

Future minimum lease payments on the lease are as follows:

Year ending December 31,	
1999	$ 79,000
2000	79,000
2001	65,400
Total	$224,200

NOTE J - SUBSEQUENT EVENTS

On March 30, 1999, the Company completed a private placement of its common stock with Ridgewood ZAP, LLC ("Ridgewood"), a Deleware limited liability company managed by Ridgewood Power Corporation. The Company sold to Ridgewood 678,808 shares of common stock at a price of $3.02 per share. Net cash proceeds to the Company were $1,852,500, net of underwriting fees and expenses paid of $197,500. In addition to the underwriting fees paid, the Company issued, in aggregate, 35,596 shares of common stock to two entities who assisted in the private placement.

In addition, the Company has granted Ridgewood an option to acquire an additional $2,000,000 of common stock at any time up through December 31, 1999. The price per share upon exercise would be 85% of the average closing price of the stock for the 20-day period prior to the exercise date, subject to minimum and maximum per share prices of $3.50 and $4.50, respectively. If, during the option period, the Company meets certain financial milestones, as defined in the agreement, the Company can require Ridgewood to exercise the option to purchase the full $2,000,000 of common stock using the per share formula described above.

As of March 30, 1999, the Company has converted $212,000 of its remaining debt into 70,199 shares of common stock.

Item 8. Changes in and Disagreements with Accountants and Financial Disclosure.

Not Applicable

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

MANAGEMENT

Name	Age	Position
Gary Starr	43	Managing Director
James McGreen	45	President and Director
Andrew Hutchins	38	General Manager
Sanford Theodore	35	Controller
Jessalyn Nash	39	Director
Lee S. Sannella, M.D.	83	Director
Nancy K. Cadigan	40	Director and Secretary
Richard Balzhiser	66	Member, Advisory Board
Hal Larson	74	Member, Advisory Board
Jack Guy	66	Member, Advisory Board

Gary Starr is Managing Director of the Company. He has been building and driving electric cars for more than 20 years. In addition to overseeing the marketing of more than 20,000 electric bicycles and vehicles, Mr. Starr has invented several solar electric products and conservation devices. Mr. Starr founded U.S. Electricar's electric vehicle operation in 1983. That Company recently signed a licensing agreement with Hyundai.

In 1993, Mr. Starr earned a Private Industry Council Recognition Award for creating job opportunities in the EV industry and was named as one of the ten most influential electric car authorities by Automotive News. More recently, he was honored by the American Lung Association of San Francisco with a Clean Air Award in Technology and was recognized by U.S. Senator Barbara Boxer for his contribution towards clean air.

Mr. Starr has several publications: Electric Cars: Your Guide to Clean Motoring, The Shocking Truth of Electric Cars, and The True Cost of Oil. In addition, he has appeared on more than 300 radio and television talk and news shows (including Larry King Live, The Today Show, Inside Edition, CNN Headline News, Prime Time Live, and the CBS Evening News and the McNeil Lehrer News Hour) as a recognized authority in the field of electric vehicles.

James McGreen, President, has over 25 years experience in design, development, engineering, manufacturing and marketing. He has brought over 100 successful consumer products from conception to the mass market. He has been a pioneer in the ultralight aircraft, personal watercraft, and motorcycle racing fields. He is the founder and/or former president of Protopipe Exhaust Systems, Inc., McGreen Metalworking, Kanemoto Racing and McGreen Development. His commitment to electric transportation began in 1991 with successful competition in Electrathon racing. He holds several records and winning times for this lightweight electric vehicle class. He has been a racer of motorcycles and has built motor parts, frames, chassis and other specialty parts for both manufacturers and other racers. Mr. McGreen has also designed and built composite racing sailboats. A skilled machinist, welder, and tool and die maker, he has designed and built nearly every kind of lightweight motorized vehicle. A prolific inventor, McGreen has been awarded three patents, in the resource conservation and transportation fields. He also managed the World Championship team that won the World Solar Bicycle Races, in Akita, Japan in 1995. In 1996, McGreen was selected as an honored member of the Who's Who of American Inventors for his positive impact on society.

family's retail bicycle shop. He successfully started, managed, and operated a retail bicycle store for 11 years prior to selling it for several times his initial investment. He has also worked in the insurance industry for three years and served on the Transportation advisory board for the city of Rohnert Park. Mr. Hutchins received a degree in Business Economics and Communication Studies from the University of California at Santa Barbara in 1982.

Sanford Theodore, Controller has been involved in various financial and accounting positions for over 11 years. Well versed with computerized accounting and auditing processes, he has worked with Optical Coating Laboratory, Western Dairy Products, and Blue Cross. Mr. Theodore received a bachelor's degree in Business Administration from San Diego State University in 1985 and a certificate for Human Resource Management from Sonoma State University in 1996.
Jessalyn Nash, Masters in Business, is an environmental and business consultant to rapid growth entrepreneurial companies. She has specialized in marketing, distributor relations and sales programs. Ms. Nash previously held positions with NeXT, Inc. and in National Sales and Marketing with Apple Computer, Inc. Ms. Nash has been an environmental advocate for over 20 years. She has operated her consulting business since 1989.

Lee Sannella, M.D. has been an active researcher in the fields of alternative transportation, energy and medicine for more than 25 years. Dr. Sannella has been a founding shareholder in many start up high tech companies. He was a Director of U.S. Electricar from 1983 to 1992. A graduate of Yale University, he maintained an active medical practice for many years in ophthalmology and psychiatry. He worked with the Sonoma Medical Society on improving radiation standards and is a best-selling author. He has served on advisory boards of the City of Petaluma, California, on the Board of Directors of the San Andreas Health Council of Palo Alto, the Veritas Foundation of San Francisco, and the AESOP Institute.

Nancy K. Cadigan assisted Jim McGreen in managing McGreen Development, the research organization that developed the original ZAP Power System. She has broad experience in sales, trade show events, and office management. With an educational background in Recreation and Leisure, Ms. Cadigan has worked in public and commercial recreation for more than twenty years. She has also worked on women's health issues and has counseled women in crisis situations. She has conducted public education classes on recycling, reuse and composting practices. Currently, Ms. Cadigan is involved in organic farming. In all of her work, she looks for environmentally sound solutions to ordinary problems and has been a strong advocate of the ZAP mission since its inception. In the past five years she has worked for the Oakland Parks and Recreation Department (1990-92), Alameda Waste Management Authority (1992-93), Urban Ore (1993-94), McGreen Development (1994), ZAP Power Systems (1994-present), and Women's Health Specialists (1995-present).

Advisory Board

Dr. Richard E. Balzhiser, President Emeritus of the Electric Power Research Institute (EPRI) served as President and CEO of EPRI from 1988-1996. He joined EPRI in 1973 at the time of its founding after serving as Deputy Director for Energy and Environment in the White House Office of Science and Technology. Dr. Balzhiser currently serves on the Houston Industries and Electrosource Boards as well as Advisory boards to Mobil, MIT, University of Michigan and the University of Wisconsin. He is chairing committees for the World Bank and World Energy Council. Dr. Balzhiser earned his Ph.D. from the University of Wisconsin.

Hal Larson was the Executive Creative Director for the advertising agency Tatham, Laird & Kudner. He has been responsible for the advertising for Kraft Cheese, Sears, Quaker, 7-UP, and Oscar Meyer. He also served as Creative Director of J. Walter Thompson and West Coast Creative Director of Cunningham & Walsh. Mr. Larson has directed advertising for the Republican National Committee and has written several books and lectured at several Universities. Mr. Larson earned his B.S. degree from the University of Oregon and his M.S. degree from Boston University.

Jack Guy has been employed by the Electric Power Research Institute (EPRI) since 1974. He is responsible for commercializing EPRI's new products and technologies in Electric Transportation. From 1956 to 1974, Mr. Guy was a manager for General Electric Co. Mr. Guy has also served as a special agent for the U.S. Army Counterintelligence Corps.

Indemnification of Directors and Officers

The Company's Articles of Incorporation provide that the liability of the directors for monetary damages shall be limited to the fullest extent permissible under California law. Insofar as indemnification for liabilities arising under the federal securities laws may be permitted to directors, officers and controlling persons of the Company pursuant to that provision, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in those laws and is, therefore, unenforceable.

Director Term of Office and Compensation

All directors' terms of office expire at the next annual meeting of shareholders. The Company's directors do not receive any cash compensation for their service on the Board of Directors, but directors may be reimbursed for certain expenses in connection with their attendance at Board meetings.

Item 10.

EXECUTIVE COMPENSATION
Summary Compensation Table
Long Term Compensation

		Annual Compensation		Awards				Payouts
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(I)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen- sation ($)	Rest- ricted Stock Award ($)	Secur- ities Underlying Options / SARs (#)	LTIP Payouts ($)	All other Compens a- tion ($)
Gary Starr	1994	$ 0						
Managing	1995	$21,000				72,000		
Director	1996	$31,000			$3,750	60,000		
	1997	$35,000			$2,250			
	1998	$35,700						
James McGreeen	1994	$ 0						
President	1995	$33,000				72,000		
	1996	$33,000			$3,750	60,000		
	1997	$38,000			$2,250			
	1998	$37,500						

Option/SAR Grants in Last Fiscal Year
Individual Grants

(a)	(b)	(c)	(d)	(e)
Name	Number of securities Underlaying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/SH)	Expiration Date

None

Item 11. Security Ownership and Certain Beneficial Owners and Management

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Company's Common Stock as of March 30, 1999 for each shareholder known by the Company to own beneficially 5% or more of the outstanding shares of its Common Stock, and all directors and executive officers as a group. The Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by them, have sole investment and voting power with respect to their shares, subject to community property laws where applicable.

5% Shareholders:	Shares Beneficially Owned	Percentage of Common Shares at March 30, 1999
James McGreen	584,950(1)	16.6%
Gary Starr	432,078(1)	12.4%
Ridgewood ZAP, LLC	432,078(1)	29.9%
All directors an executive officers as a group	1,177,611	30.3%

Includes 132,000 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options.

Includes 523,560 shares of issuable upon exercise of a currently exercisable option to purchase $2,000,000 of common stock at $3.82 per share.

Includes 264,000 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options.

Includes 10,000 shares of Common Stock issuable upon exercise of currently exercisable incentive stock options.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZAP POWER SYSTEMS
(Registrant)

By ____
Gary Starr - Managing Director &
Chief Financial Officer

Date ____

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By ____ James McGreen - President and Director

Date ____

By ____

Nancy K. Cadigan - Secretary and Director

Date ____

By ____

Sanford Theodore - Principal Accounting
Officer and Controller

Date ____

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ZAP POWER SYSTEMS FOR THE YEAR ENDED DECEMBER 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	475,300
SECURITIES	0
RECEIVABLES	318,800
ALLOWANCES	(35,000))
INVENTORY	633,900
CURRENT ASSETS	1,490,800
PP & E	374,700
DEPRECIATION	197,700
TOTAL ASSETS	1,759,700
CURRENT LIABILITIES	1,362,200
BONDS	11,800
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	3,731,800
OTHER SE	(3,346,100)
TOTAL LIABILITY AND EQUITY	1,759,700
SALES	3,518,600
TOTAL REVENUES	3,518,600
CGS	2,391,300
TOTAL COST	2,391,300
OTHER EXPENSES	2,149,500
LOSS PROVISION	100,300
INTEREST EXPENSE	100,300
INCOME PRETAX	(1,108,600)
INCOME TAX	800
INCOME CONTINUING	(1,109,400)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(1,109,400)
EPS PRIMARY	(0.42)
EPS DILUTED	(0.42)

d. Estados financieros 1999.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

ZAPWORLD.COM

(Name of small business issuer in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization)	94-3210624 (I.R.S. Employer Identification No.)

117 Morris Street
Sebastopol, CA 95472
(707) 824-4150

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Securities registered under section 12(b) of the Exchange Act:
None

Securities registered under section 12(g) of the Exchange Act:
None

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. Yes X No

State issuer's revenues for its most recent fiscal year. $6,437,200

The aggregate market value of the Company's voting common stock held by non-affiliates as of March 27, 2000, based on the average Bid and Ask price on that date was $49,126,100.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

5,204,034 shares of common stock as of March 27, 2000.

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PART I

Part II

Part III

Part I

Item 1. Description of Business

The information on Form 10-KSB contain forward-looking statements based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Forward Looking Statements."

A. Business Development

ZAPWORLD.COM (the "Company" or "ZAP") was incorporated under the laws of the State of California, on September 23, 1994, under its original name, "ZAP Power Systems". The name of the Company was changed on May 16, 1999 to reflect the company's growth and entry into larger markets. The Company has grown from a single product line to a full line of electric vehicle products. At its Sebastopol facilities, the Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, electric motorcycles and other personal electric transportation vehicles.

The Company was established to develop low cost electric vehicles to provide alternative modes of transportation as a means of providing relief from the emissions associated with gas powered vehicles and to become a leader in the emerging light electric vehicle industry. The Company's objective is to leverage its proprietary technology and name recognition to serve a number of high potential markets in the electric bicycle, electric scooter, and other light electric vehicle transportation industries. Since the Company's management believed that the primary barrier to widespread use of electric vehicles was their high cost, the Company's activity and revenue was initially derived from development contracts from domestic government agencies and a foreign private entity. These contracts were set up to develop low cost Zero Air Pollution (or ZAP) type electric vehicles. The Company continues to focus its research efforts on making electric vehicles cost effective, while developing an international distribution network for personal vehicle products.

The Company is developing proprietary technologies that are important elements of the ZAP brand of personal electric vehicles. Each of these components will be marketed under the ZAP brand name. In addition to new electric vehicles, ZAP is currently focusing its development efforts on a new generation of microprocessor drive controllers.

B. Business of Issuer

The Company's business strategy has been to develop, acquire and commercialize electric vehicles and electric vehicle power systems that have fundamental practical and environmental advantages over available internal combustion modes of transportation that can be produced commercially on an economically competitive basis. In 1999, the Company continued to enhance and broaden its electric vehicle product line.

The Company manufactures an electric motor system that is sold as a kit to be installed by the customer on their own bicycle. The system was designed to assist the rider during more difficult riding situations, rather than as a replacement for pedaling. The Company also installs the motor system on specially designed bicycles that the Company has manufactured under contract. The completed bicycles, with motor, are then sold to the customer. Additionally, the Company produces the electric scooter, known as the ZAPPY(TM), which is manufactured by the Company, using parts manufactured by various subcontractors. The Company is the U.S. distributor of the Electricycle(TM) scooter that is imported from Taiwan. Additionally, the Company is a distributor of an electric motorcycle known as the Lectra(TM) and an electric neighborhood vehicle, known as the GEM(TM).

The Company manufactures several electric motor vehicle kits. The electric motor kit manufacturing and installation of the motor systems to the bicycles is done at its Sebastopol location. The electric motors are purchased from an original equipment manufacturer (OEM) in the auto and air-conditioning industry. The Company is primarily using one company for its motors, Revco Molded Plastics Company, although there are other companies that could be used with slight modifications to the motor support brackets. The batteries are standard batteries used in the computer industry for power interrupt systems. The electronic system uses standard electronic components. The Company has developed long-term purchase arrangements with its key vendors. The Company has a contractual relationship with Smith & Wesson who provides the Company with law enforcement bicycles. The Company has agreed to purchase at least 200 bikes from Smith & Wesson in exchange for specific exclusive distribution and pricing rights. Smith & Wesson has agreed to purchase at least 100 power kits from the Company in exchange for specific exclusive distribution and pricing rights.

The Company has been granted exclusive market rights in selective electric vehicle markets from Evercel Corporation in exchange for specifying the Evercel(TM) battery in a specific electric vehicle made by the Company. The Company has no other contractual agreements with any of its other vendors.

Environmental Initiatives and Legislation

Federal legislation was enacted to promote the use of alternative fuel vehicles, including electric vehicles. Several states have also adopted legislation that sets mandates for the introduction of electric vehicles. In 2003 the State of California will require that 4% of the cars offered for sale are electric. However, there is strong political opposition to this mandate. Other states, such as the State of Arizona, currently offer tax credits for electric vehicles. Foreign countries have also initiated either mandates or incentives for electric vehicles or are planning such programs in the future. As ZAP commercializes new transportation technology, it has been required to expend Company's resources in educating legislators of the benefits of these vehicles. On January 1, 2000, a new law that was sponsored by ZAP and creates guidelines for the legalized use of light electric scooters such as the ZAPPY(TM) went into effect in the State of California. Although many government agencies are concerned about rising global air pollution, it is expected that the Company will need to continue to expend considerable resources in the future in the governmental process, and there cannot be assurance that the current favorable governmental climate for these zero emission vehicles will remain in the future.

Research and Product Development

The nature of the Company's business has required and will continue to require expenditures for research and product development. The development and introduction of new products are essential to establishing and maintaining competitive advantage. The Company is developing a new generation of micro-processor drive controllers.

Company funded research and development expense charged to operations in fiscal years 1999 and 1998 was $364,600 and $202,600 respectively.

Sources and Availability of Raw Materials

Materials, parts, supplies and services used in the Company's business are generally available from a variety of sources. However, interruptions in production or delivery of these goods could have an adverse impact on the Company's manufacturing operations.

Licenses, Patents and Trademarks

The Company has a number of patents and trademarks covering its electric vehicles. The Company was issued its first United States Patent on February 13, 1996 on its electric motor power system for bicycles, tricycles, and scooters (Patent #5,491,390). On September 30,1997, the Company was issued its second United States Patent on its electric motor system (Patent #5,671,821). On December 15, 1998, the Company was issued a third United States Patent for its ZAPPY scooter (Patent #5,848,660). ZAP also holds several trademarks: the trademark ZAP (R) was assigned to the Company on September 23, 1994, under registration no. 1,794,866; the ELECTRICRUIZER(R) mark was registered on April 2, 1999 under registration no. 2,248,753; and, the POWERBIKE(R) mark was registered on June 1, 1999 under registration no. 2,248,753. The Company also acquired various pending patent applications and trademark rights from emPower when they acquired this company on December 30, 1999. The company acquired all of the assets of EVSI, including the trademark PowerSki(R), trademark registration no. 2,224,640 and two U.S. Patents, (Patent #5,735,361) and (Patent #5,913,373). This transaction was finalized on February 29, 2000. Marketing strategies for PowerSki will begin in the year 2000. The trademark ZAPPY(R) was registered on March 21, 2000, and the trademark ZAP Elecrtric Vehicle Outlet(R) was registered on March 28, 2000. Other patents and trademarks are pending.

The Company has an exclusive licensing agreement with Lucas Films Licensing Division for the use of the trade name STARWARSTM and STAPTM in the classification of electric scooters.

Backlog

The Company has a $787,700 backlog of orders for electric vehicles as of March 27, 2000. The Company expects to fill its entire current backlog within the current fiscal year.

Competitive Conditions

The competition to develop and market electric vehicles has increased during the last year and is expected to continue to increase. The electric bicycle industry has four (4) major manufacturers and a large group of small manufacturers. The major manufacturers are Honda, Suzuki, Sanyo and Yamaha. They mainly sell products to Japan and Europe. The other group of manufacturers is much smaller in size and sales volume. These manufacturers have products that sell into the U.S., European, and Asian markets. There are also other manufactures both large and small, of other personal electric vehicles. The principal competitive advantages of the Company are its ownership of fundamental technology, its ability to be a low cost manufacturer through domestic and international connections, and its distribution network. The Company also currently benefits from its high name recognition in the electric vehicle industry coupled with a rapidly developing business on its Internet website ZAPWORLD.COM. The Company offers one of the broadest lines of personal electric vehicles currently available. According to published reports, the Company believes it currently holds the leading electric bicycle and scooter market position in the United States.

Employees

As of March 27, 2000, the Company had a total of 78 employees (14 are ZAPWORLD Stores, Inc. employees). This is an increase of 33 employees from 1998. The Company considers its relationship with its employees to be excellent.

Item 2. Description of Property. A summary of the principal facilities of the Company follows

Location	Use	Number of Square Feet
--------------	--------------	--------------
117 Morris Street	Office and Motor Assembly	6,500
111 Morris Street	Machine Shop	3,000
7190 Keating	Production	10,000
6780 Depot	Office, Production, and R & D	5,000
6784 Depot	Engineering	4,200
2715 Hyde Street	Retail/Rental Store	8,000

All of the above buildings, except Hyde Street in San Francisco, are located in Sebastopol, California. The Company leases all of its manufacturing research and office facilities. All of the leases are term leases, none include options to purchase. The Company's property consists primarily of manufacturing equipment and office computer systems. It is management's opinion that the Company's insurance policies cover all insurance requirements of the landlords. The Company owns the basic tools, machinery and equipment necessary for the conduct of its production, research and development, and vehicle prototyping activities. Management believes that the above facilities are generally adequate for present operations.

Item 3. Legal Proceedings

There are no legal proceedings to which the Company is a party which management believes to be material.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were pending a vote by the security holders at 1999 year-end.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company was one of the early pioneers of direct public offerings, by offering stock directly to the public in 1996, and 1998. The National Association of Security Dealers (NASD) cleared ZAP's common stock for quotation on the OTC Bulletin Board on February 10, 1998 and on March 11, 1998, the Company's Common Stock commenced trading on the OTC Bulletin Board under the stock symbol "ZAPP". During 1998, the Company sold 78,247 shares directly to the public and received $472,482 in proceeds. The second public stock offering was closed in January, 1999. Additionally in 1998, the Company 1) realized $15,000 in proceeds from the exercise of stock options and issued 15,000 shares, 2) converted $14,317 in notes payable and accrued interest into 2,727 shares ($5.25 per share) and, 3) issued 25,136 shares in payment for current and future services at an average price per share of $5.98.

In 1999 the Company sold 29,833 shares and realized gross proceeds of $177,900. The Company also achieved private placements of 746,119 shares with net proceeds of $1,720,600 in 1999 (on which expenses of $613,500 were incurred). The company issued 279,600 shares at a value of $2,264,100 on new and pending acquisitions of companies and technologies. The Company exchanged 27,479 shares valued at $140,900 in payment of current and future services. A total of $5,600 was realized on the sale of stock to employees through a stock purchase plan. The exercise of 559,086 employee stock options raised $423,400 in capital. A total of 165,111 shares were issued to convert $664,700 of debt to equity. A total of 1,785 shares were repurchased at a value of $10,700. In settlement of litigation, 8,666 shares were issued with a value of $50,000. Additionally, the fair value of $136,700, associated with the issuance of stock options and warrants, was added to stockholders' equity.

The Board of Directors created the 1999 employee stock option pool of 500,000 shares and expanded it to 1,500,000 shares at year-end. Additionally the board authorized the issuance of 10,000,000 shares of Common Stock (making a total of 20,000,000 shares) and authorized 10,000,000 shares of "indeterminate" Preferred Stock.

The Company's Common Stock is presently traded in the over-the-counter market and quoted on the National Association of Securities Dealers (NASD) "Bulletin Board" under the symbol "ZAPP." As of March 27, 2000, there were approximately 1,898 holders of record of Common Stock.

The following table sets forth the high and low prices of the Common Stock as reported on the NASD Bulletin Board by the National Quote Bureau for the fiscal quarters indicated. The following over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdowns, or commission, and may not necessarily represent actual transactions:

	2000		1999		1998	
	High	Low	High	Low	High	Low
	(through 3/27/2000) $	$	$	$	$	$
First Quarter	13.75	7.50	4.375	3.0625	6.00	4.50
Second Quarter	--	--	8.75	4.25	6.50	4.50
Third Quarter	--	--	6.875	5.00	5.0625	2.00
Fourth Quarter	--	--	18.25	5.00	4.3125	2.875

Dividend Policy

The Company has paid no cash dividends in the past and no cash dividends are anticipated in the foreseeable future.

Related Parties

William Evers is a member of the Board of ZAP. His firm Evers & Hendrickson provided legal services for the Company during 1999, which received $299,000 in compensation for these services. Additionally, Mr. Evers was granted stock options to acquire 75,000 shares ranging in price from $3.02 to $6.50 per share.

Item 6. Management's Discussion and Analysis of Plan of Financial Condition and Results of Operations.

Overview

Forward-looking statements in this release are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including, without limitation, continued acceptance of the company's products, increased levels of competition for the products and technological changes, the company's dependence upon third party suppliers, intellectual property rights, and other risks detailed from time to time in the company's periodic reports filed with the Securities and Exchange Commission.

The Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, electric motorcycles, and other electric transportation vehicles.
The Company sells its electric vehicles through the Internet. The Company also sells its electric vehicles to retail customers, international distributors, law enforcement agencies, electric utility companies, bicycle dealerships, motorsport dealers, its franchisees and mail order catalogs. The Company sells to mail order catalogs and selected customers on various credit terms. Occasionally accounts are factored with a local bank. Many of the smaller dealerships are sold on a cash on delivery basis. The Internet and retail sales are primarily paid for with a credit card or personal check before shipment of the product.

On July 19, 1999, the Company created two subsidiaries, ZAPWORLD Stores, Inc. and ZAPWORLD Outlets, Inc. ZAPWORLD Stores, Inc. was established to record the activity for acquired stores and ZAPWORLD Outlets was established to record the activity for future franchise stores. Both subsidiaries are wholly owned by ZAPWORLD.COM.

The Company's growth strategy is to increase net sales by increasing distribution channels through its website at ZAPWORLD.COM, retail organizations and wholesale distributors, both domestically and overseas, as well as setting up Company outlet and franchise stores to assist in the retail sales arena. The Company will continue to increase its production capability to meet the increasing demand for its product. The Company will continue to develop the products so that it is the low cost leader in the industry. Product improvements, new product introductions, and the expansion of the ZAP electric outlet franchise network will continue to enlarge ZAP's presence in the electric vehicle industry.

In order to access new markets in 1999, ZAPWORLD Stores, Inc. acquired the following rental/retail operations:

1. Big Boy Bikes, a bicycle rental business in Key West, Florida.
2. American Scooter and Rental, a bicycle rental business in San Francisco, California.

Operating under the name ZAPWORLD Stores, Inc., this wholly owned subsidiary accounted for $316,000 (5%) of total sales. The gross profit margin for the stores was 34%. The San Francisco store was purchased in July 1999. The Key West location was purchased in November 1999. The lease for the Key West store expired in February 2000, and at that time, all the assets were sold.

The Company acquired emPower, Inc., a designer and manufacturing business of proprietary electric scooters to provide new technologies and broaden product lines.

The Company also signed agreements to acquire:

1. ZAP of Santa Cruz, a bicycle rental business in Santa Cruz, California.
2. Electric Vehicle Systems, Inc., an electric vehicle development business.

The acquisition of Electric Vehicles Systems, Inc. was completed in February 2000. The acquisition of ZAP of Santa Cruz was completed in March 2000.

In December 1999, the Company signed a term sheet agreement to merge with Global Electric MotorCars, LLC (GEM), the largest manufacturer of neighborhood electric vehicles, and EV Rentals, LLC. A revised non-binding term sheet was signed in January 2000. As of March 27, 2000 there is not an approved final contract for either the GEM or EV Rentals mergers. The common shareholders have not approved the transaction

.

Results of Operations

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net sales for the year ended December 31, 1999 were $6,437,200 compared to $3,518,600 in the prior year, an increase of $2,918,600 or 83%. The increase in sales was due to greater acceptance of ZAP products in the marketplace. Internet sales were $259,100 and $57,100 in 1999 and 1998 respectively. This represented a 354% increase for 1999. A total of $680,100 in products was sold to one customer during the year ended December 31, 1999, representing 11% of sales. In the year ended December 31, 1998, $617,000, or 18% of net sales, was sold to one customer.

Gross profit. Gross profit decreased as a percentage of net sales to 31% from 32%. The gross profit percentage decrease of 1% is largely due to a one-time sale to a large distributor at a significant discount in the third quarter of 1999. Direct materials were 58% of net sales for the year ended December 31, 1998, as compared to 59% of net sales for the year ended December 31, 1999.

Selling. Selling expenses in 1999 were $1,186,700. This was an increase of $219,000, or 22% from 1998 to 1999. Due to greater market acceptance through Zap's distribution channels, selling expenses as a percentage of sales, decreased from 28% of sales to 18% of sales. Costs increased as a result of additional personnel being added to the sales force.

General and administrative expenses for 1999 were $1,945,000. This is an increase of $965,800 or 100% over 1998. As a percentage of sales, general and administrative expense increased from 28% to 30% of net sales. Expense increases during 1999 as compared to 1998 occurred due to added personnel in the administrative and accounting areas. Additionally, legal expenses of $300,000 were incurred in 1999 relating to acquisition activities and patent issues.

Research and development was $364,600 in 1999 as compared to $202,600 in 1998, an 80% increase. As a percentage of net sales, Research and Development remained 6% in 1998 and 1999. The Company invested in developing new electric vehicle products and tooling that is expected to lower manufacturing costs and broaden the ZAP product line in 2000.

Other income increased $81,000 in 1999 over 1998. This 100% increase can be attributed to interest earned on a commercial paper money market fund from the proceeds of private placement investments.

Interest Expense increased $167,000, 166% in 1999 over 1998. This increase is due primarily higher outstanding debt in 1999.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net sales for the year ended December 31, 1998 were $3,518,600 compared to $1,640,200 in the prior year, an increase of $1,878,400 or 115%. The increase in sales was primarily due to the Company's introduction of the ZAPPY(TM) scooter that accounted for $1,381,500 or 39% of total sales. Additionally, international sales of bicycles and kits, including the new single speed low cost motor system, for 1998 increased $520,500 over 1997 levels as new dealers acquired interest in selling ZAP products overseas. During the year ended December 31, 1998, $617,000 in sales representing 18% of total sales was with one customer. In 1997, a different single customer accounted for 26% of the Company's net sales.

Gross profit. Gross profit increased as a percentage of net sales in 1998 to 32% from 22%. The total gross profit increased $761,800 or 208%. The increase in gross profit dollars can principally be attributed to the gross margins realized on the sales of the new ZAPPY(TM) scooter and other products. The increase in gross margin percentage was the result of greater cost controls and improved efficiencies in the manufacturing process of all products for the year ended December 31, 1998 as compared to the year ended December 31, 1997. Direct materials were 58% of net sales for the year ended December 31, 1998, as compared to 70% of net sales for the year ended December 31, 1997.

Selling. Selling expenses in 1998 were $967,700. This was an increase of $334,700 or 53% from 1997 to 1998. As a percentage of sales, selling expenses decreased from 39% of sales to 28% of sales. Costs have increased as a result of additional personnel being added to the sales force, increased promotion through the Internet, a print media campaign, and added marketing efforts overseas.
General and administrative expenses for 1998 were $979,200. This is an increase of $158,800 or 19% over 1997. As a percentage of sales, general and administrative expense decreased from 50% to 28% of net sales. Expense increases during 1998 as compared to 1997 occurred due to added personnel in the administrative and accounting areas. Additionally, a consultant was enlisted to assist with obtaining additional equity funding.

Research and development decreased $43,500 or 18% from 1997 to 1998. As a percentage of net sales, it decreased from 15% to 6% respectively. Extensive efforts in developing the ZAPPY(TM) scooter and single speed low-cost motor system resulted in higher costs in 1997 that were not duplicated in 1998.

Other income (expense). Interest expense increased to $100,300 in 1998, an increase of $12,700 over 1997. This increase can primarily be attributed to the warrant costs associated with warrants given to an investment banker for securing equity financing for the company.

Liquidity and Capital Resources

The Company used cash from operations of $1,461,400 and $1,307,400 during the years ended December 31, 1999 and 1998 respectively. Cash used in operations in 1999 was the result of the net loss incurred for the year of $1,692,600, offset by net non-cash expenses of $636,700, and the net change in operating assets and liabilities resulting in a further use of cash of $405,500. Cash used in operations in 1998 was the result of the net loss incurred for the year of $1,109,400, offset by non-cash expenses of $255,300, and the net change in operating assets and liabilities resulting in a further use of cash of $453,300.

Investing activities provided cash of $601,000 during the year ended December 31, 1999. Proceeds from the emPower acquisition provided cash in 1999. Investing activities used cash for the purchase of fixed assets, additional capitalized patent costs, intangibles, and purchases of the San Francisco and Key West Store locations. Investing activities used cash of $161,900 during the year ended December 31, 1998 for the purchase of fixed assets and intangibles.

Financing activities provided cash of $3,569,000 and $1,254,100 during the years ended December 31, 1999 and 1998 respectively. In 1999, cash was provided by the sale of common stock in the amount of $1,818,100. Cash provided by the sale of stock in 1999 was partially used to extinguish notes payable to individuals of $361,900. In 1998, cash was provided by the issuance of notes payable of $1,280,800. Cash provided in 1998 was offset by principal payments on outstanding debt.

At December 31, 1999, the Company had cash of $3,183,900 as compared to $475,300 at December 31, 1998. At December 31, 1999, the Company had working capital of $4,450,300 as compared to working capital of $128,600 at December 31, 1998. The increase in cash and is primarily due to financing provided by private placement investments. The increase in working capital is also explained by funding from private placement investments.

The Company believes that the cash and cash equivalents on hand at December 31, 1999 will be sufficient to allow the Company to continue its expected level of operations for at least 12 months. There is also an Agreement in Principle with a private investment source for up to $7.5 million in equity capital.

The Company's primary capital needs are to fund its growth strategy, which includes increasing its Internet shopping mall presence, increasing distribution channels, establishing company owned and franchised ZAP stores, introducing new products, improving existing product lines and development of a strong corporate infrastructure.

Seasonality and Quarterly Results

The Company's business is subject to seasonality influences. Sales volume in this industry typically slows down during the winter months, November to March in the U.S. The Company is marketing worldwide and is not impacted 100% by U.S. seasonality.

Inflation

The Company's raw materials are sourced from stable cost competitive industries. As such, the Company does not foresee any material inflationary trends for its raw material sources. However, with the low unemployment rate currently seen in Sonoma County, the Company expects that current wage rates will be driven up due to competitive pressures put on by other local manufacturing companies.

Item 7. Consolidated Financial Statements and Supplementary Data

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Report of Independent Certified Public Accountant

To the Board of Directors and Stockholders
ZAPWORLD.COM

We have audited the accompanying consolidated balance sheet for ZAPWORLD.COM and subsidiaries as of December 31, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above represent fairly, in all material respects, the consolidated financial position of ZAPWORLD.COM and subsidiaries as of December 31, 1999, and the consolidated results of their operations and their cash flows for each of the years in the two year period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

GRANT THORNTON, LLP

San Francisco, California
March 1, 2000

ZAPWORLD.COM and Subsidiaries
Consolidated Balance Sheet
December 31, 1999
(Hundreds)
ASSETS

CURRENT ASSETS	
Cash	3,183,900
Accounts receivable, net of allowance for doubtful accounts of $35,000	352,700
Inventories	1,725,100
Note receivable	20,000
Prepaid expenses and other assets	303,000

Total current assets	5,584,700
PROPERTY AND EQUIPMENT - less accumulated depreciation	350,300

OTHER ASSETS	
Patents & Trademarks, less accumulated amortization	1,176,100
Goodwill	112,200
Advance to retail stores and technology companies	478,800
Deposits	24,500

Total other assets	1,791,600

Total assets	$ 7,726,600
	========

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 742,200
Accrued liabilities	367,900
Current maturities of long-term debt	15,300
Current maturities of obligations under capital leases	9,000

Total current liabilities	1,134,400
OTHER LIABILITIES	
Long-term debt less current maturities	24,200
Obligations under capital leases, less current maturities	13,500

Total other liabilities	37,700
STOCKHOLDERS' EQUITY	
Preferred stock, authorized 10,000,000 shares; no shares issued or outstanding Common stock, authorized 20,000,000 shares of no par value; issued and outstanding 5,109,180	12,053,200
Accumulated deficit	(5,118,100)
Unearned compensation	(95,800)

	6,839,300
Less: notes receivable from shareholders	(284,800)

Total stockholders' equity	6,554,500

Total liabilities and stockholders' equity	$ 7,726,600
	===========

The accompanying notes are an integral part of this statement.

ZAPWORLD.COM and Subsidiaries
Consolidated Statements of Operations
Year ended December 31, 1998 and 1999
(Hundreds, except shares and per share amounts

	1999	1998
	-----------	-----------
NET SALES	$ 6,437,200	$ 3,518,600
COST OF GOODS SOLD	4,446,400	2,391,300
	-----------	-----------
GROSS PROFIT	1,990,800	1,127,300
OPERATING EXPENSES		
Selling	1,186,700	967,700
General and administrative	1,945,000	979,200
Research and development	364,600	202,600
	-----------	-----------
	3,496,300	2,149,500
	-----------	-----------
LOSS FROM OPERATIONS	(1,505,500)	(1,022,200)
	-----------	-----------
OTHER INCOME (EXPENSE)		
Interest expense	(267,300)	(100,300)
Other income	81,000	--- ---
Miscellaneous	--- ---	13,900
	-----------	-----------
	(186,300)	(86,400)
	-----------	-----------
LOSS BEFORE INCOME TAXES	(1,691,800)	((1,108,600)
	-----------	-----------
PROVISION FOR INCOME TAXES	800	800
	-----------	-----------
NET LOSS	$(1,692,600)	$(1,409,300)
	========	========
NET LOSS PER COMMON SHARE		
Basic and diluted	$ (0.43)	$ (0.42)
	=======	=======
SHARES USED IN CALCULATION OF NET LOSS PER SHARE	3,927,633	2,614,563
	=======	=======

The accompanying notes are an integral part of the consolidated financial statements.

ZAPWORLD.COM and Subsidiaries
Consolidated Statement of Stockholders' Equity
Years Ended December 31, 1998 and 1999

	Commom Stock		Accumulated	Unearned	Note receivable	
	Shares	Amount	Deficit	Compesation And services	from Shareholder	Total
Balance, January 1, 1998	2,542,700	$ 3,168,900	$(2,316,100)	$ --	$ --	$ 852,800
Issuance of common stock in connection withdirect public offering at $6 per share, net expenses of $91,000	78,800	383,300	--	--	--	383,300
Fair value of stock options granted to non-employees	--	17,600	--	--	--	17,600
Exercise of stock options				--	--	15,000
	15,000	15,000	--			
Conversion of notes payable and accrued interest into common stock at $5.25	2,700	14,300			--	14,300
Issuance of warrants in connection with debt	--	61,800	--	--	--	
Stock issued for current and future services	25,500	150,300	--	--	--	150,300
Net loss	--	--	(1,109,400)	--	--	(1,109,400)
Balance, December 31, 1998	2,664,700	3,811,200	(3,425,500)	--	--	385,700
Issuance of common stock:						177,900
Cash	29,833	177,900				
Private placement, net of expenses of $613,500	746,119	1,720,600				1,720,600
Acquisitions						2,264,100
	279,600	2,264,100				
Advance to retail stores & technology co.'s	57,803	406,300				406,300
Employee stock purchase plan	1,139	5,600)				5,600
Repurchase of shares	(1,785)	(10,700)				(10,700)
	27,479					140,900
Services		140,900				
Litigation settlement	8,666	50,000				50,000
Conversion of debt	165,111	664,700				664,700
Exercise of employee stock options	559,086	423,400				423,400
Exercise of non-employee stock options	571,429	2,000,000				2,000,000

ZAP WORLD.COM and Subsidiaries
Consolidated Statement of Stockholders' Equity (cont.)
Years Ended December 31, 1998 and 1999

(Hundreds, except shares)	Commom Stock Shares	Commom Stock Amount	Accumulated Deficit	Unearned Compesation and services	Note receivable from Shareholder	Total
Fair value of stock options issued to employees	--	1,700	--	--	--	1,700
Fair value of stock options and warrants issued to non-employees	--	135,000	--	--	--	135,000
Stock options and warrants issued for future compensation and services	--	262,500	--	(95,800)	--	166,700
Note receivable from shareholders	--	--	--	--	(284,800)	(284,800)
Net loss	--	--	(1,692,600)	--	--	(1,692,600)
Balance, December 31, 1999	5,109,180	$12,0533,200	$(5,128,100)	$(95,800)	$(284,800)	$6,554,500

The accompanying notes are an integral part of the consolidated financial statements.

ZAPWORLD.COM and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 1999
(Hundreds)

	1999	1998
	-----------	-----------
Cash flows from operating activities:		
Net loss	$(1,692,600)	$(1,109,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	124,000	86,500
Allowance for doubtful accounts	--	(30,000)
Issuance of common stock for services rendered	140,900	150,300
Issuance of common stock for litigation settlement	50,000	--
Issuance of stock options for services rendered	136,700	17,600
Noncash charges & settlement of debt	136,700	--
Amortization of fair value of warrants	30,900	30,900
Changes in:		
Accounts receivable	(68,900)	(192,100)
Inventories	(877,700)	(366,600)
Prepaid expenses and other assets	24,100	(32,200)
Deposits	(12,600)	1,600
Accounts payable	312,400	172,600
Accrued liabilities and customer deposits	217,200	(36,600)
	-----------	-----------
Net cash used in operating activities	(1,461,400)	(1,307,400)
Cash flows from investing activities:		
Purchases of property and equipment	(188,100)	(97,800)
Purchase of American Scooter and Cycle Rental	(70,000)	--
Purchase of Big Boy Bicycles	(15,200)	--
Proceeds from emPower acquisition	1,033,000	--
Payment advances for acquisitions	(72,500)	--
Issuance of note receivable	(20,000)	--
Purchase of intangibles	(66,200)	(64,100)
	-----------	----------
Net cash provided by (used in) investing	601,000	(161,900)
Cash flows from financing activities:		
Sale of common stock, net of stock offering costs	1,812,500	--
Issuance of common stock under employee purchase plan	5,600	--
Proceeds from issuance of long-term debt	(361,900)	1,280,800
Proceeds from exercise of stock options	2,423,400	(10,700)
Repurchase of common stock	(10,700)	(16,000)
Advances on notes receivable to shareholders	(284,800)	--
Payments on obligations under capital leases	(15,100)	--
	-----------	-----------
Net cash provided by financing activities	3,569,000	1,254,100
	-----------	-----------
NET INCREASE/(DECREASE) IN CASH	2,708,600	(215,200)
Cash, beginning of year	475,300	690,500
	-----------	-----------
Cash, end of year	$ 3,183,900	$ 475,300
	===========	===========

ZAPWORLD.COM and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (contd.)
Years ended December 31, 1999

	1998	1997
Supplemental cash flow information: Cash paid during the year for:	--------	--------
Interest	$ 115,200	$ 69,400
Income taxes	800	800
Non-cash investing and financing activities:		
Conversion of debt into common stock	475,400	
Conversion of accounts payable into common stock	35,100	
Equipment acquired through capital lease obligations	26,700	
Notes payable used to exercise stock options	32,300	
Issuance of common stock upon acquisition of American Scooter and Cycle Rental, Big Boy Bicycles, and emPower Corporation	2,311,700	
Assets and liabilities recognized upon acquisition of American Scooter and Cycle Rental, Big Boy Bicycles, and empower Corporation		
Cash	1,033,000	
Inventories	213,500	
Prepaid expenses and other	56,400	
Property and equipment	70,000	
Patent	1,154,600	
Accounts payable	130,600	

The accompanying notes are an integral part of the consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

o Nature of Operations

ZAPWORLD.COM (the "Company" or "ZAP") was incorporated in California in September, 1994 under its original name "Zap Power Systems". The name was changed on May 16, 1999. ZAP designs, manufactures, and distributes electric bicycle power kits, electric bicycles and tricycles, and other personal electric transportation vehicles. Company products are sold directly to end-users and to distributors throughout the United States and the world.

o Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, ZAPWORLD Stores, Inc., and emPower Corporation. ZAPWORLD Stores, Inc. and emPower Corporation are 100% owned by ZAPWORLD.COM. All significant inter-company transactions and balances have been eliminated.

o Revenue Recognition

The Company recognizes income when products are shipped.

o Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods and are carried at the lower of cost (first-in, first-out method) or market.

o Property and Equipment

Property and equipment are stated at cost and depreciated using straight-line and accelerated methods over the assets' estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. Estimated useful lives are as follows:

Machinery and equipment	7 years
Equipment under capital leases	5 years
Demonstration bicycles	2 years
Office furniture and equipment	7 years
Vehicle	5 years
Leasehold improvements	15 years or life of lease, whichever is shorter

o Patents & Trademarks

Patents & Trademarks consist of costs expended to perfect certain patents and trademarks acquired in the emPower acquisition. These costs will be amortized over an estimated useful life of ten years.

o Goodwill

Goodwill consists of the excess consideration paid over net assets. This asset will be amortized using the straight-line method over a ten-year period.

o Income Taxes

The Company uses an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future bases on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change in deferred tax assets and liabilities during the period.

o Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management of the Company to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. The amounts estimated could differ from actual results.

o Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. For certain of the Company's financial instruments, including cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturities. The carrying amount of the bank note payable and current notes payable approximate fair value as current interest rates available to the Company for similar debt are approximately the same. The fair value of related party debt is impracticable to determine.

o Net Loss Per Common Share

Net loss per common share, basic and diluted, has been computed using weighted average common shares outstanding. The effect of outstanding stock options and warrants has been excluded from the dilutive computation, as their inclusion would be anti-dilutive (see note F).

o Segment Information

In 1999, the company adopted SFAS No.131, "Disclosures about Segments of an Enterprise and related Information". The Company operates in one reportable segment, the design, assembly, manufacture and distribution of electric bicycle power kits, electric bicycles and tricycles, electric scooter, electric motorcycles and other personal electric transportation vehicles.

o Reclassification

Certain reclassifications have been made to the December 31, 1998 information to conform to the December 1999 presentation.

NOTE B – INVENTORIES

Inventories consisted of the following at December 31, 1999:

Raw materials	$ 661,700
Work-in-process	349,200
Finished goods	714,200

	$ 1,725,100
	========

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1999:

Machinery and equipment	$ 187,000
Computer Equipment	209,600
Demonstration bicycles	89,600
Office furniture and equipment	52,000
Leasehold improvements	78,400
Vehicle	97,600
	714,200
Less accumulated depreciation and amortization	363,900

	$ 350,300

NOTE D - ADVANCE TO RETAIL STORES AND TECHNOLOGY COMPANIES

During the year ended December 31, 1999 the Company issued shares of common stock and paid cash as advances toward the acquisition of retail stores and technology companies. The Company issued 57,803 shares of common stock in the amount of $406,300 and paid cash in the amount of $72,500.

NOTE E - PROVISION FOR INCOME TAXES

	1999	1998
	--------------	-------------
Current tax expense		
Federal	$ --	$ --
State	800	$800
	---------	---------
	$ 800	$ $800
	=========	=========

Significant components of the Company's net deferred tax assets as of December 31, 1999 are as follows:

Tax loss carryforward	$ 1,819,600	$ 1,263,700
Inventory capitalization	(99,100)	(22,000)
Other	(70,800)	(27,400)
	---------------------	----------------------
Total	1,649,700	1,214,300
Less valuation allowance	(1,649,700)	(1,214,300)
	-----------	------------
Net deferred tax asset	$ --	$ --
	=============	=============

The Company has available carry forward of approximately $4,758,300 and $2,819,400 of federal and state net operating losses, respectively, expiring through 2019. The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating losses in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code. There has been no determination whether an ownership change, as defined, has taken place. Therefore, the extent of any limitation has not been ascertained.

A valuation allowance is required for those deferred tax assets that are not likely to be realized. Realization is dependent upon future earnings during the period that temporary differences and carry forwards are expected to be available. Because of the uncertain nature of their ultimate utilization, a full valuation allowance is recorded against these deferred tax assets. The valuation allowance increased $435,400 in 1999 and $386,700 in 1998.

The difference between the income tax expense at the federal statutory rate and the Company's effective tax rate is as follows:

	1999	1998
Statutory federal income tax rate	34%	34%
State income tax rate	6	6
Valuation allowance	(40)	(40)
	----------------	- -------------

NOTE F - STOCK OPTIONS AND WARRANTS

Options to purchase common stock are granted by the Board of Directors under three Stock Option Plans, referred to as the 1999, 1996 and 1995 plans. Options granted may be incentive stock options (as defined under Section 422 of the Internal Revenue Code) or nonstatutory stock options. The number of shares available for grant under the 1999, 1996 and 1995 Plans are 1,500,000, 600,000 and 750,000, respectively. Options are granted at no less than fair market value on the date of grant, become exercisable as they vest (over a 2 or 3 year period) and expire ten years after the date of grant.

Option activity under three plans is as follows:

	1999 Plan		1996 Plan		1995 Plan	
	Number of Shares	Wtd Avg Excersice Price	Number of Shares	Wtd Avg Excersice Price	S Number of Shares	Wtd Avg Excersice Price
	-----------	-----------	---------------	---------------	--------------	------
Outstanding at 12/31/97			383,500	$1.38	446,300	$0.56
Granted			20,000	$4.31	--	--
Exercised			(12,500)	$1.00	--	--
Canceled			(26,500)	$1.48	(27,400)	$0.40
Outstanding at 12/31/98	--	$ --	(364,500)	$1.55	418,900	$0.56
Granted	481,000	$6.33	35,000	$4.06	--	---
Exercised	(586)	$5.00	(259,500)	$1.15)	(299,000	$0.40
Forfeited	(1,000)	$5.00	(14,500)	$3.50	(49,900)	$1.00
	---------		----------		---------	
Outstanding at 12/31/99	479,414	$6.34	125,500	$2.85	70,000	$0.93
	-------		---------		---------	

The weighted average fair value of all options granted during the years ending December 31, 1999 and 1998 was $4.33 and $3.66 respectively.

The following information applies to employee incentive stock options outstanding at December 31, 1999:

Plan	1999	1996		1995
	----	----------------------		----
Range of exercise prices	$5.00- $7.00	$1.00-$1.00	$3.68-$5.25	$1.00-$1.00
Options outstanding	479,414	47,500	78,000	70,000
Weighted average exercise price	$ 6.34	$1.00	$ 3.98	$ 1.00
Weighted average remaining life (years)	9.79	6.58	8.03	6.50
Options exercisable	46,833	47,500	62,806	70,000
Weighted average exercise price	6.31	$ 1.00	$ 3.97	$ 1.00

The company granted stock options and warrants to purchase common stock to non-employees of the company. The options and warrants have exercise prices ranging from $3.02 - $6.36.

The Company granted 671,429 in options and warrants in connection with the private placement, 200,000 in connection with the emPower acquisition, 100,000 in connection with placement fees, and 167,000 to other non-employees.

The Company recorded the non-statutory options and warrants based on the grant date for value in accordance with FAS 123. The grant date fair value of each stock option was estimated using the Black-Scholes option-pricing model. The company recorded expense in the amount of $135,000 and $48,500 for the year ended December 31, 1999 and 1998, respectively. As of December 31, 1999 the Company has recorded prepaid expense in the amount of $166,700 for future services.

Options and warrant activity for non-employees is as follows:

		Weighted Avg.
Outstanding at 12-31-97	46,000	$ 4.33
Granted	82,800	4.86
Exercised	(2,500)	1.00

Outstanding at 12-31-98	126,300	4.74
Granted	1,138,429	4.58
Exercised	(571,429)	3.50
Forfeited	(64,300)	4.75

Outstanding at 12-31-99	629,000	5.51
	=========	

The Company accounted for stock options and warrants under the policy of APB
25 "Accounting for Stock Issued to Employees". The Company has adopted the disclosure only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation (SFAS 123)". Accordingly, no compensation expense has been recognized for stock options issued during 1999 and 1998. Had compensation cost for the Company's options been based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have approximated the following proforma amounts:

	1999	1998
	--------	--------
Net loss	$ (1,692,600)	$ (1,109,400)
Net loss - pro forma	(2,686,700)	(1,254,600)
Loss per share - as reported	(.43)	(.42)
Loss per share - pro forma	(.68)	(.48)

The fair value of each option and warrant is estimated on date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1999	1998
	--------	--------
Dividends	None	None
Expected volatility	86.00%	100%
Risk free interest rate	6.00%	6.00%
Expected life	5 years	10 years

In connection with the issuance of $800,000 of notes payable in 1998, the Company issued 20,000 warrants at $4.00 per share, to purchase the Company's common stock, to an entity that assisted the Company in arranging the financing. The warrants are immediately exercisable and expire September, 2001. The fair value of warrants at the time of issuance was $61,800 and is being amortized as additional interest expense over the term of the debt. Amortization expense of $30,900 was recorded for both 1998 and 1999.

NOTE G - MAJOR CUSTOMERS and VENDORS

During 1999, one customer accounted for $680,100 or 11% of the Company's net sales. During 1998, one customer accounted for $617,000 or 17.5% of the Company's net sales. The Company ceased selling to this customer in late 1998.

During 1999, one vendor accounted for $798,600 or 12% of the Company's supplies and materials. For the year ended December 31, 1998 one vendor accounted of $440,000 or 7%,of the Companies supplies and materials.

NOTE H – COMMITMENTS

The Company rents warehouses and office space under leases that expire in June 2001. The monthly rent of $24,100 is adjusted annually to reflect the average percentage increase in the Consumer Price Index. An option exists to extend the lease for an additional five-year period. Rent expense under this lease was $54,100 and $52,800 in 1998 and 1997, respectively.

Future minimum lease payments on the leases are as follows:

Year ending December 31,	
2000	$ 320,600
2001	222,600
2002	138,300
2003	115,200
thereafter	54,300
	- - - - - - - - - - -
Total	$ 851,000
	============

NOTE I - PERFERRED STOCK

The Board of Directors authorized 10,000,000 shares of Preferred Stock in December 1999. No financial features (participation in dividends, conversion to warrants/common stock etc.) have been specified for these "indeterminate" preferred shares to date.

NOTE J – ACQUISITIONS

On December 30, 1999, the Company purchased all of the common stock of emPower, Inc., a designer and manufacturing business of proprietary electric scooters, for 265,676 shares of its common stock. The Company issued warrants to emPower's shareholders to purchase an aggregate of 200,000 shares of the Company's common stock. The warrants expire three years after issuance. The acquisition has been accounted for as a purchase at $5.75 per share. The purchase was allocated to the assets acquired, including patents, and liabilities assumed based on their estimated fair values. The acquisition resulted in no goodwill. Results of operations for emPower have been included with those of the company for periods subsequent to the date of acquisition

.

The purchase price of emPower was allocated as follows

Cash	$ 1,033,000
Inventories	96,300
Property and equipment	64,100
Patents	1,042,400
Liabilities assumed	(54,200)
	- - - - - - - - -
	$ 2,181,600
	===========
Consideration paid:	$ 2,181,600
Common stock	============

In September 1999, the Company purchased all assets of Big Boy Bicycles and assumed certain liabilities. The company issued 1,000 shares of common stock and paid $15,165 in cash. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair value. Results of operations for Big Boy Bicycles have been included with those of the Company for the periods subsequent to the date of acquisition.

The purchase price of Big Boy Bicycles was allocated as follows:

Inventories	$ 73,800
Property and equipment	4,400
Goodwill	1,300
Expenses	1,900
Liabilities assumed	(59,800)

	$ 21,600
	===========
Consideration paid:	
Cash	$ 15,200
Common stock	6,400

	$ 21,600
	========

In July 1999, the Company purchased certain assets and assumed certain liabilities of American Scooter and Cycle Rental. The Company issued 12,924 shares of common stock and paid $70,000 in cash. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. Results of operations for American Scooter and Cycle Rental have been included with those of the company for periods subsequent to the date of acquisition.

The purchase price of certain assets and liabilities of American Scooter and Cycle Rental were allocated as follows:

Inventories	43,300
Property and equipment	1,500
Goodwill	113,300
Expenses	4,600
Liabilities assumed	(16,600)

	$ 146,100
	===========
Consideration paid:	
Cash	$ 70,000
Common stock	76,100

	$ 146,100
	========

The above operations represent 5% of total revenues for the year ended December 31, 1999.

NOTE K - SUBSEQUENT EVENTS

On January 20, 2000, the Company purchased all of the common stock of Zap of Santa Cruz, Inc. a California corporation, for $25,000 in cash and 8,803 shares of the Company's common stock. The acquisition will be accounted for as a purchase. The purchase price is approximately $125,000 and will be allocated to add the assets acquired and liabilities assumed based on their estimated fair values. The acquisition closed in the first quarter of calendar year 2000.

On February 29, 2000, the Company purchased all of the common stock of Electric Vehicle Systems, Inc., a California corporation, for $20,000 in cash and 25,000 shares of the Company's common stock. The acquisition will be accounted for as a purchase. The purchase price is approximately $285,000 and will be allocated to the net assets acquired and liabilities assumed based on the estimated fair value. The acquisition closed in the first quarter of calendar year 2000.

Item 8. - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable

Item 9. Directors and Executive Officers of the Registrant.

MANAGEMENT

Name	Age	Position
Gary Starr	44	Director, Chief Executive Officer, President
Robert Swanson	51	Director, Chairman of the Board
Doug Wilson	40	Director
William Evers	72	Director
Lee S. Sannella, M.D.	84	Director
Andrew Hutchins	39	Vice President Operations
Scott Cronk	35	Vice President Business Development
Sanford Theodore	36	Controller
Oonagh Duggan	28	Corporate Secretary

Gary Starr has been a Director and executive officer of the Company since its inception in 1994. He has been the Chief Executive Officer and President of the Company since September 1999. He has been building, designing, and driving electric cars for more than 25 years. In addition to overseeing the marketing of more than 35,000 electric bicycles and other electric vehicles, Mr. Starr has invented several solar electric products and conservation devices. Mr. Starr founded U.S. Electricar's electric vehicle operation in 1983. That Company recently signed a licensing agreement with Hyundai. In 1993, Mr. Starr earned a Private Industry Council Recognition Award for creating job opportunities in the EV industry and was named as one of the ten most influential electric car authorities by Automotive News. He has also received recognition awards for his contributions toward clean air from the American Lung Association of San Francisco, CALSTART and U.S. Senator Barbara Boxer. Mr. Starr has several publications: Electric Cars: Your Guide to Clean Motoring, The Shocking Truth of Electric Cars, and The True Cost of Oil. In addition, he has appeared on more than 300 radio and television talk and news shows (including Larry King Live, The Today Show, Inside Edition, CNN Headline News, Prime Time Live, and the CBS Evening News and the McNeil Lehrer News Hour) as a recognized authority in the field of electric vehicles. Mr. Starr has a Bachelor of Science Degree from the University of California, Davis in Environmental Consulting and Advocacy.

Robert E. Swanson has been Chairman of the Board of ZAPWORLD.COM since 1999. Mr. Swanson is Chairman of the Board, sole director and sole stockholder of Ridgewood Capital Corporation. Mr. Swanson is also Chairman of the Board of the Fund and President, registered principal and sole stockholder of Ridgewood Securities Corporation. In addition, Mr. Swanson is President and sole shareholder of Ridgewood Energy, Ridgewood Power and Ridgewood Power Management Corporation. Ridgewood Power is a managing shareholder of each of the prior Programs and Mr. Swanson is the President of each prior Program. Since 1982, Mr. Swanson, through a number of entities, has sponsored and been a principal of more than 47 investment programs involved in gas exploration and development, which programs have raised approximately $200 million from the sale of investment units. Mr. Swanson was also a tax partner at the former New York and Los Angeles law firm of Fulop & Hardee and an officer in the Investment Division of Morgan Guaranty Trust Company. His specialty was in personal and financial planning, including income, estate and gift tax. Mr. Swanson is a member of the New York State and Jersey bars. He is a graduate of Amherst College and Fordham University Law School. Mr. Swanson and his wife Barbara Mardinly Swanson are the authors of "Tax Shelters, A Guide for Investors and Their Advisors." published by Jones-Irwin in 1982 and published in revised editions in 1984 and 1985.

Doug Wilson has been a Director of ZAPWOLD.COM since 1999. Mr. Wilson is the Vice President of Acquisitions for of RCC and the Ridgewood Fund. He was a principal of Monhegan Partners, Inc., which provided acquisition and financial advisory for Ridgewood Power and the Prior Programs, from October 1996 until September 1998, when he joined Ridgewood Power as Vice President of Acquisitions. He has over 14 years of capital markets experience, including specialization in complex lease and project financings in energy-related businesses. He has a Bachelor of Business Administration from the University of Texas and a Masters degree in Business Administration from the Wharton School of the University of Pennsylvania.

William D. Evers has been a Director of ZAPWORLD.COM since 1999. Mr. Evers is one of the leading SEC attorneys in California with extensive experience in start-up and emerging companies, specializing for a number of years in private placements, Section 25102(n) offerings, Small Corporate Offering Registration, Re. A Exemptions and Small Business Registrations. He has handled numerous mergers and acquisitions. Mr. Evers is a name partner the law firm of EVERS & Hendrickson LLP. Mr. Evers heads the Evers and Hendrickson Internet Law Group with its emphasis on Internet relationships. Mr. Evers has also had extensive experience in franchising and has been the CEO or President of various business ventures. He holds a BA from Yale University and JD from University of California, Berkeley.

Lee Sannella, M.D. has been a Director of ZAPWORLD.COM since its inception in 1994. Dr. Sannella has been an active researcher in the fields of alternative transportation, energy and medicine for more than 25 years. Dr. Sannella has been a founding shareholder in many startup high tech companies. He was a Director of U.S. Electricar from 1983 to 1992. A graduate of Yale University, he maintained an active medical practice for many years in ophthalmology and psychiatry. He worked with the Sonoma Medical Society on improving radiation standards and is a best-selling author. He has served on advisory boards of the City of Petaluma, California, on the Board of Directors of the San Andreas Health Council of Palo Alto, the Veritas Foundation of San Francisco, and the AESOP Institute.

Andrew Hutchins was appointed Vice President, Operations of ZAPWORLD.COM in October 1999. He joined the Company in December 1996 and since June 1997 has been the Company's General Manager. Successful as an entrepreneur, Mr. Hutchins started, developed and managed a retail bicycle business for 11 years prior to selling it for several times his initial investment. He has been involved in the bicycle industry since 1971 when he stared working for his family's bicycle business. Mr. Hutchins was a charter member of the Transportation Advisory Board for the City of Rohnert Park. He also worked for three years in the insurance industry in management positions with Banker's Life and in Equity Qualified Sales for Equitable Life Assurance. In 1982 Mr. Hutchins received a Bachelor of Arts degree with a double major in Business Economics and Communication Studies from the University of California at Santa Barbara.

Scott Cronk was appointed Vice President of Business Development of ZAPWORLD.COM in December 1999. He was the President and founder of Electric MotorBike from 1995 to 1999. Previously, as Director of Business Development & International Programs, Mr. Cronk led strategic venturing activities for U.S. Electricar, Inc. Before joining U.S. Electricar in 1994, Mr. Cronk managed international manufacturing planning activities (1991-1994) for Delco Electronics Corporation, a division of General Motors Corporation. He was responsible for a $350 million automotive electronics product line, with facilities in Liverpool, England and Singapore. His book, "Building the E-Motive Industry", is published by the Society Of Automotive Engineers. Mr. Cronk has a B.S. in Electrical Engineering from GMI Engineering & Management Institute (now "Kettering University") and an M.B.A. from the City University of London, England.

Sanford Theodore has been the Controller of ZAPWORLD.COM since 1997. Mr. Theodore has been involved in various financial and accounting positions for over 11 years. Well versed with computerized accounting and auditing processes, he has worked with Optical Coating Laboratory, Western Dairy Products, and Blue Cross. Mr. Theodore received a bachelor's degree in Business Administration from San Diego State University in 1985 and a certificate for Human Resource Management from Sonoma State University in 1996.

Oonagh Duggan was appointed Corporate Secretary of ZAPWORLD.COM in November 1999. Ms. Duggan also works in the international marketing and governmental affairs departments for ZAP. Previously she worked in communications at World Stewardship Institute. She holds a BA in European Studies from University College, Cork, Ireland, and an MA in International Studies from the University of Limerick, Ireland.

Compliance with Section 16(A) of the Securities Exchange Act of 1934.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and officers to file reports of ownership and changes in ownership with respect to the securities of the Company and its affiliates with the Securities and Exchange Commission and to furnish copies of these reports to the Company. Based on a review of these reports and written representations from the Company's directors and officers regarding the necessity of filing a report, the Company believes that during fiscal 1999, all filing requirements were met on a timely basis.

Indemnification of Directors and Officers

The Company's Articles of Incorporation provide that the liability of the directors for monetary damages shall be limited to the fullest extent permissible under California law. Insofar as indemnification for liabilities arising under the federal securities laws may be permitted to directors, officers and controlling persons of the Company pursuant to that provision, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in those laws and is, therefore, unenforceable.

Director Term of Office and Compensation

All directors' terms of office expire at the next annual meeting of shareholders. The Company's directors do not receive any cash compensation for their service on the Board of Directors, but directors may be reimbursed for certain expenses in connection with their attendance at Board meetings
.

The Company granted stock options to acquire 75,000 shares to two Directors. The range in price of the options was from $3.25 to $6.25 per share. The vesting of these options range from immediately to three years.

Item 10. Executive Compensationnet loss and loss per share would have approximated the following proforma amounts:

The following tables set forth all compensation earned by the Company's Chief Executive Officer, former President, and the Company's four most highly compensated executive officers serving as executive officers at the end of the fiscal year. There are currently two executive officers.

Executive Compensation Table

					Long Term Compensation		
					Awards		Payouts
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Rest-ricted Stock Award ($)	Stock Underlying Options /SARs (#)	LTIP Payouts ($)
James McGreen Former President	1997	38,000			2,250		
	1998	37,500					
	1999	34,000	200			35,000	
Gary Starr Chief Executive Officer And President	1997	35,000					
	1998	35,700	200			135,000	
	1999	39,500					
Andrew Hutchins Vice President-Operations	1999	39,400	1,200	9,800		30,000	

Option/SAR Grant in Last Fiscal Year
Individual Grants

Name	Year Options Granted	Number of Securities Underlying Options/ SARs Granted	% of total Optional/ SARs Granted to employees in fiscal year	Exercise or Base Price $	Expiration Date
James McGreen	1999	35,000	5.1	7.00	07/19/02
Gery Starr	1999	35,000		7.00	07/19/02
	1999	100,000		6.25	12/20/02
		135,000	19.8		
Andrew Mutchins	1999	30,000	4.4	6.36	07/19/02

Item 11. Security Ownership and Certain Beneficial Owners and Management

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Company's Common Stock as of March 27, 2000 for each shareholder known by the Company to own beneficially 5% or more of the outstanding shares of its Common Stock. The Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by them, have sole investment and voting power with respect to their shares, subject to community property laws where applicable.

5% Shareholders:	Shares Beneficially Owned	Percentage of common At March 27, 2000 (5,204,034 shares)
Ridgewood ZAP, LLP	1,250,237	24%
James McGreen	537,600	10%
Gary Starr	520,117	10%
All directors and executive officers as a group	2,410,160	47%

Includes: 100,000 shares of Common Stock for Ridgewood ZAP, LLP, 100,000 shares of Common Stock for James McGreen and 135,000 shares of Common Stock for Gary Starr issuable upon exercise of currently exercisable incentive stock options.

Item 12. Certain Relationships and Related Transactions

Employee Stock Purchase Plan and Option/Warrant Plans description.

The Company has three (1995, 1996 and 1999 Plans) stock option/warrant pools for the benefit of employees and in the case of the 1996 and 1999 Plans, non-employee. These plans have been established to reward meritous contribution and create additional incentive to outstanding employees in the Company. These awards vest at various times that are directed at the discretion of the Board of Directors. The company also offers a 1999 Common Stock purchase plan for employees. Participation in the plan is voluntary for all employees of the Company that have completed one or more years of continuous employment. Contributions are applied to the purchase of Common shares at 85% of fair market value and issued quarterly to participants.

Item 13. Exhibits and Reports on Form 8-K

On July 12, 1999, a Form 8-K was filed amending the name of the Corporation to ZAPWORLD.COM from ZAP Power Systems.

Exhibit 1. Additional Information

In April 2000 the Company reached an Agreement in Principle with a private investment source for the Company to receive from that source up to $7.5 million in equity capital.

Item 15. Signatures

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

ZAPWORLD.COM

By ____
Gary Starr - Chief Executive Officer and President

Date ____

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the registrant and in the capacities and on the dates indicated have signed this report below:

By ____ Bob Swanson - Chairman and Director

Date ____

By ____
Doug Wilson – Director

Date ____

By ____
William D. Evers – Director

Date ____

By ____
Lee Sannella - Director

Date ____

By ____
Oonagh Duggan - Corporate Secretary

Date ____

By ____
Sanford Theodore - Principal Accounting
Officer and Controller

Date ____

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ZAP POWER SYSTEMS FOR THE YEAR ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	DEC 31 1999
CASH	3,183,900
SECURITIES	0
RECEIVABLES	387,700
ALLOWANCES	(35,000)
INVENTORY	1,725,100
CURRENT ASSETS	5,584,700
PP & E	714,200
DEPRECIATION	363,900
TOTAL ASSETS	7,726,600
CURRENT LIABILITIES	1,134,400
BONDS	37,700
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	12,053,200
OTHER SE	(5,213,900)
TOTAL LIABILITY AND EQUITY	7,726,600
SALES	6,437,200
TOTAL REVENUES	6,437,200
CGS	4,446,400
TOTAL COST	3,496,300
OTHER EXPENSES	2,149,500
LOSS PROVISION	35,000
INTEREST EXPENSE	186,300
INCOME PRETAX	(1,691,800)
INCOME TAX	800
INCOME CONTINUING	(1,692,600)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(1,692,600)
EPS PRIMARY	(0.43)
EPS DILUTED	(0.43)

e. Estados financieros 2000.

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

Form 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2000

Commission File Number 0-303000

ZAPWORLD.COM
(Name of small business issuer in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization	94-3210624 **(I.R.S. Employer Identification No.)**

117 Morris Street Sebastopol, CA 95472 (707) 824-4150
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Securities registered under section 12(b) of the Exchange Act: None

Securities registered under section 12(g) of the Exchange Act: Common Shares

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. |X|

State issuer's revenues for its most recent fiscal year: $12,443,000

The aggregate market value of the Company's voting common stock held by non-affiliates as of March 26, 2001, based on the average Bid and
Ask price on that date was $7,912,100.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

6,039,817 shares of common stock as of March 26, 2001.

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Part I

Item 1. Description of Business

The information on Form 10-KSB contains forward-looking statements based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management.

A. Business Development

ZAPWORLD.COM (the "Company" or "ZAP") was incorporated under the laws of the State of California, on September 23, 1994, under its original name, "ZAP Power Systems". The name of the Company was changed on May 16, 1999 to reflect the company's growth and entry into larger markets. The Company has grown from a single product line to a full line of electric vehicle products. At its Sebastopol facilities, the Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, electric motorcycles and other personal electric transportation vehicles.

The Company was established to develop low cost electric vehicles to provide alternative modes of transportation as a means of providing relief from the emissions associated with gas powered vehicles and to become a leader in the emerging light electric vehicle industry. The Company's objective is to leverage its proprietary technology and name recognition to serve a number of high potential markets in the electric bicycle, electric scooter, and other light electric vehicle transportation industries. Since the Company's management believed that the primary barrier to widespread use of electric vehicles was their high cost, the Company's activity and revenue was initially derived from development contracts from domestic government agencies and a foreign private entity. These contracts were set up to develop low-cost Zero Air Pollution (or ZAP) type electric vehicles. The Company continues to focus its research efforts on making electric vehicles cost effective, while developing an international distribution network for personal vehicle products.

The Company is developing proprietary technologies that are important elements of the ZAP brand of personal electric vehicles. Each of these components will be marketed under the ZAP brand name. In addition to new electric vehicles, ZAP is currently focusing its development efforts on a new generation of microprocessor drive controllers. The Company intends to further expand its technological expertise through an aggressive plan of acquisitions of companies with exciting new products in the Electrical Vehicle Industry and strategic alliances with certain manufacturers.

ZAP is also initiating programs in the alternate energy market.

B. Business of Issuer

The Company's business strategy has been to develop, acquire and commercialize electric vehicles and electric vehicle power systems, that have fundamental practical and environmental advantages over available internal combustion modes of transportation, that can be produced commercially on an economically competitive basis. In 2000, the Company continued to enhance and broaden its electric vehicle product line.

The Company manufactures an electric motor system that is sold as a kit to be installed by the customer on their own bicycle. The system was designed to assist the rider during more difficult riding situations, rather than as a replacement for pedaling. The Company also installs the motor system on specially designed bicycles that the Company has manufactured under contract. The completed bicycles, with motor, are then sold to the customer. Additionally, the Company produces the electric scooter, known as the ZAPPY(R), which is manufactured by the Company, using parts manufactured by various subcontractors. The Company is the U.S. distributor of the Electricycle(TM) scooter that is imported from Taiwan. Additionally, the Company is a distributor of an electric motorcycle known as the Lectra(TM). The Company also has agreements to distribute the Electric Pedi-Cab, the E-Kart, an electric go-kart, and the Lepton, an Italian manufactured electric motor scooter.

The Company manufactures several electric motor vehicle kits. The electric motor kit manufacturing and installation of the motor systems to the bicycles is done at its Sebastopol location. The electric motors are purchased from an original equipment manufacturer (OEM) in the auto and air-conditioning industry.

The Company is primarily using one company for its motors, although there are other companies that could be used with slight modifications to the motor support brackets. The batteries are standard batteries used in the computer industry for power interrupt systems. The electronic system uses standard electronic components. The Company has developed long-term purchase arrangements with its key vendors.

The Company has been granted exclusive market rights in selective electric vehicle markets from Evercel Corporation in exchange for specifying the Evercel(TM) battery in an electric vehicle made by the Company. The Company has no other contractual agreements with any of its other vendors.

Environmental Initiatives and Legislation

Federal legislation was enacted to promote the use of alternative fuel vehicles, including electric vehicles. Several states have also adopted legislation that sets mandates for the introduction of electric vehicles. In 2003 the State of California will require that 4% of the cars offered for sale are electric. However, there is strong political opposition to this mandate. Other states, such as the State of Arizona, currently offer tax credits for electric vehicles. Foreign countries have also initiated either mandates or incentives for electric vehicles or are planning such programs in the future. As ZAP commercializes new transportation technology, it has been required to expend Company resources in educating legislators of the benefits of these vehicles. On January 1, 2000, a new law that was sponsored by ZAP and creates guidelines for the legalized use of light electric scooters such as the ZAPPY(R) went into effect in the State of California.

In May 2000, the Company received a $67,000 grant from the California Energy Commission (CEC) for a Neighborhood Electric Vehicle (NEV) demonstration. The grant is one of only four sponsored by the CEC, funding which comes from the State's Petroleum Violation Escrow Account. The funding was used to purchase seven NEVs that will be used within the City of Sebastopol, California by City employees, rented by tourists and visitors, and for testing as a downtown shuttle service.

Although many government agencies are concerned about rising global air pollution, it is expected that the Company will need to continue to expend considerable resources in the future in the governmental process, and there cannot be assurance that the current favorable governmental climate for these zero emission vehicles will remain in the future.

Research and Product Development

The nature of the Company's business has required and will continue to require expenditures for research and product development. The development and introduction of new products are essential to establishing and maintaining competitive advantage. A series of exciting and innovative products have been developed or were under development in 2000. For some of the new introductions the Company has entered into exclusive distribution arrangements with the manufacturers. During the current year, the Company has developed or arranged for the distribution of the following Products:

ZAPPY(R) JR.-Which was designed specifically for kids six to ten, it was modeled after the very popular ZAPPY adult electric scooter. The ZAPPY JR. is the only electric scooter on the market targeted to this demographic segment. It answers the demand for a safer electric scooter for younger children. With a top speed of 8MPH, a hand brake, and a molded plastic body, ZAPPY JR. is specifically designed to be a toy for kids, not for adults.

ZAPPY TURBO - The new ZAPPY TURBO is an improved version of the Company's ZAPPY folding electric scooter. The ZAPPY TURBO's new electric propulsion system offers improved acceleration and hill climbing, and has a "hi-performance" mode that allows the scooter to reach speeds of 19.5 MPH.

SWIMMY (TM)- Which was designed to give swimmers and snorkelers a boost in the open water or to enjoy in a pool. It's as simple as grabbing onto the handles and pulling a switch for an effortless ride through the water with a quiet electrical assist. While ZAP already manufactures a Sea Scooter for scuba divers, the strong interest in this product received thus far, indicates a demand for a swimming pool version for children and fitness swimmers. The Company's new SWIMMY water scooter was recently chosen as a finalist at the NASDAQ Sports Product of the Year, an annual competition held during the Super Show in Las Vegas which is owned and operated by the Sporting

Goods Manufacturers Association. The SeaScooter products were acquired in July 2000, with the acquisition of Acquatic Propulsion Technology.

POWERSKI(R)- This Powerful design offers skaters a new form of transportation, exercise and pure skating fun. The two-wheeled device pulls the rider like a water skier via two flexible poles that allow a skiing motion. With a top speed of 15MPH, the POWERSKI can easily turn any paved surface into a downhill skiing environment. This device was first developed by Electric Vehicles Systems, an entity purchased by the Company in the first quarter of 2000.

Lectra Motorbike - Through a recent acquisition, ZAP has one of the only electric motorcycles in production today. The LECTRA offers superior acceleration, braking and handling, and the advanced electric drive system is accurately controlled from the fingertips.

Powerbike(R) - Which is primarily a mountain bike with a new and improved electric motor attached. It was designed to appeal to the low cost mass merchant.

Electric Pedi-Cab - This innovative vehicle enables a regular pedi-cab to travel electronically at speeds of up to 15 MPH. The Company has signed an exclusive distributor arrangement with the manufacturer of this product.

LEPTON - This electric vehicle is similar to a gas 50cc type scooter with a top speed of 30 miles per hour. The Company is the distributor for the Italian scooter company and expects sales primarily in resort and university Localities.

E-Kart - This electric go-kart is especially geared to children. Parents will feel more comfortable with the battery-powered go-karts because they are easier starting, do not use fuel, and includes a speed control allowing them to limit the top speed, from 5 to 28 MPH. Also electric go- karts work well with the increasingly popular indoor tracks since they don't create any emissions or noise.

Microprocessor drive controllers- The Company is working to develop a series of low cost proprietary motor controller microprocessors for all of its electric vehicles, which is believed to increase efficiency and lower costs of operation.

Company funded research and development expense charged to operations in fiscal years 2000 and 1999 was $698,800 and $364,600 respectively.

Sources and Availability of Raw Materials

Materials, parts, supplies and services used in the Company's business are generally available from a variety of sources. However, interruptions in production or delivery of these goods could have an adverse impact on the Company's manufacturing operations.

Licenses, Patents and Trademarks

The Company has a number of patents and trademarks covering its electric vehicles. The Company was issued its first United States Patent on February 13, 1996 on its electric motor power system for bicycles, tricycles, and scooters (Patent #5,491,390). On September 30, 1997, the Company was issued its second United States Patent on its electric motor system (Patent #5,671,821). On December 15, 1998, the Company was issued a third United States Patent for its ZAPPY scooter (Patent #5,848,660). On November 14, 2000, The Company was issued a design patent on its ZAPPY(R) scooter (Des. No. 433,718).

ZAP also holds several trademarks: the trademark ZAP(R)was assigned to the Company on September 23, 1994, (Reg. No. 1,794,866); the ELECTRICRUIZER(R)mark was registered on April 2, 1999 (Reg. No. 2,248,753); the ZAPPY(R)mark was registered on March 21, 2000 (Reg No. 2,330,894); the POWERBIKE(R)mark was registered on June 1, 1999 under (Reg. No. 2,248,753). The trademark ZAPWORLD.COM(R)was registered on July 25, 2000 (Reg.No. 2,371,240); the trademark ZAP Electric Vehicle Outlet(R)was registered on March 28, 2000 (Reg. No. 2,335,090) and the mark Zero Air Pollution(R)was registered on February 28, 2000 (Reg No. 2,320,346).

The Company also acquired two patents as the result of the emPower acquisition in December, 1999. One patent was for the powered roller skates (Patent #6,059,062) and another for the powered skateboard (Patent #6,050,357).

The company acquired all of the assets of Electric Vehicles Systems Inc, including the PowerSki(R), trademark (registration #2,224,640) and two U.S. Patents, (Patent #5,735,361) and (Patent #5,913,373). The Company also has a patent for the Powered Scooter (Patent #115,434). With the purchase of Aquatic Propulsion Technology Inc., on July 1, 2000, the Company acquired the following five patents: submersible marine vessel issued June 13, 1995 (Patent #5,423,278), personal submersible marine vehicle issued June 3, 1997 (Patent # 5,634,423), submersible marine vessel issued on April 19, 1994 (Patent # 5,303,666) scuba scooter issued on May 31, 1994, (Patent Des 347,418) scuba scooter issued June 6, 1995 (Patent Des 359,022). The Company also has several copyright registrations for various advertisements that it uses to promote its products.

The Company has an exclusive licensing agreement with Lucas Films Licensing Division for the use of the trade name STARWARSTM and STAPTM in the classification of electric scooters.

Backlog

The Company has a $6.4 million backlog of orders and purchase contracts in hand for electric vehicles as of March 26, 2001. The Company expects to fill its entire backlog within the current fiscal year.

Competitive Conditions

The competition to develop and market electric vehicles has increased during the last year and is expected to continue to increase. The electric bicycle industry has four (4) major manufacturers and a large group of small companies. The major manufacturers are Honda, Suzuki, Sanyo and Yamaha. They mainly sell products to Japan and Europe. The other group of manufacturers is much smaller in size and sales volume. These manufacturers have products that sell into the U.S., European, and Asian markets. In order to penetrate the vast Asian market, the Company formed a joint venture in 2000 with Ningbo Topp Industrial Co. Ltd of China to manufacture and distribute electrical vehicles in China.

There are also other manufactures, both large and small, of personal electric vehicles. The principal competitive advantages of the Company are its ownership of fundamental technology, its ability to be a low cost manufacturer through domestic and international connections, and its distribution network. In order to ensure that the Company can maintain its competitive cost advantage, plans are under way to transition nearly all of its production facilities to lower cost Taiwanese outside contract manufacturers. It is anticipated that by the end of the second quarter of 2001 this goal should be affected. Such a move will also enable the Company to concentrate on its marketing and sales efforts. The Company also currently benefits from its high name recognition in the electric vehicle industry coupled with a rapidly developing business on its Internet website ZAPWORLD.COM. The Company offers one of the broadest lines of personal electric vehicles currently available. According to published reports, the Company believes it currently holds the leading electric bicycle and scooter market position in the United States.

Employees

As of March 26, 2001, the Company had a total of 81 employees. This is an increase of 3 employees from 2000. The Company's performance is substantially dependent upon the services of its executive officers and other key employees, as well as on its ability to recruit, retain and motivate other officers and key employees. Competition for qualified personnel is intense and there are a limited number of people with knowledge of and experience in the electric vehicle industry. The loss of services of any of its officers or key employees, or its inability to hire and retain a sufficient number of qualified employees, will harm the Company's business.

Item 2. Description of Property.

The chart below contains a summary of our principal facilities.

Location	Use	Number of Square Feet
--------	---	---------------------
117 Morris Street	Office and Motor Assembly	6,500
111 Morris Street	Machine Shop	3,000
7190 Keating	Production	10,000
6780 Depot	Office, Production, and R & D	5,000
6784 Depot	Engineering	4,200
2715 Hyde Street	Retail/Rental Store	8,000

984 SW 13th Court Office, Distribution and Warranty Center 3,100

All of the above buildings, except Hyde Street in San Francisco, California and 984 SW 13th Court, Pompano Beach, Florida, are located in Sebastopol, California. The Company leases all of its manufacturing, research and office facilities. All of the leases are term leases and none include options to purchase. The Company's property consists primarily of manufacturing equipment and office computer systems. It is management's opinion that the Company's insurance policies cover all insurance requirements of the landlords. The Company owns the basic tools, machinery and equipment necessary for the conduct of its production, research and development, and vehicle prototyping activities. Management believes that the above facilities are generally adequate for present operations. In the fourth quarter of 2000, the Company decided to close its retail outlet and to use the experience gained to promote franchising activities. The Hyde Street location, whose lease expires at the end of the first quarter of 2001, has been sublet to an outside third party. The Company is coordinating with various individuals to franchise several retail stores in California by the end of second quarter of 2001.

Item 3. Legal Proceedings

The Company is currently involved in a lawsuit against Mastershine USA, Inc., and its related affiliates and subsidiaries ("Mastershine"), over alleged copyright, patent, and trademark infringement regarding Mastershine's importation and sale of electric scooters that are substantially similar to the Company's ZAPPY(R) electric scooter. Upon the discovery of Mastershine's potentially infringing electric scooters, an attempt was made to negotiate a business solution. Prior to a business solution , however, Mastershine filed a lawsuit in December 2000 in federal court seeking declaratory relief. Since that time the Company has filed a cross-complaint seeking unspecified damages and equitable relief, and has filed a motion for preliminary injunction against Mastershine.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the year-end December 31, 2000.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock has been listed in the NASDQ Small Cap stock exchange under the symbol "ZAPP" since May 22, 2000. From March 11, 1998 to May 22, 2000, the Company's Common Stock was listed on the NASD OTC Bulletin Board under the symbol "ZAPP". Before this there was no public market for the Company's Common Stock.

As of March 26, 2001, there were 6,039,817 shares of Common Stock outstanding held by 1,911 shareholders. The following table sets forth the high and low prices of the Common Stock as reported on the OTC Bulletin Board through the second quarter of 2000, and the high and low prices per share as reported on the NASDQ Small Cap Stock exchange for the third quarter of 2000 through March 26, 2001.

		2001		2000		1999	
		High	Low	High	Low	High	Low
(through 3/26/2001)	First Quarter.	$3.06	$1.28	$10.00	$8.00	$4.375	$3.062
	Second Quarter.	--	--	6.00	5.4375	8.75	4.25
	Third Quarter.	--	--		5.3125	6.875	5.00
	Fourth Quarter.	--	--	3.25	2.50	18.25	5.00

Dividend Policy

The Company has not declared or paid any cash dividends on its Common Stock and presently intends to retain its future earnings, if any, to fund the development of its business and, therefore does not anticipate paying any cash dividends in the future

Recent Sales of Unregistered Securities.

Since inception in 1994, the Company has issued or sold unregistered securities in the amounts, at the times, for the consideration and pursuant to the exemptions from registration provided by the Securities Act of 1933, as amended (the "Act"), as follows:

On June 1, 2000, pursuant to an exemption under Section 4(2) of the Act, the company granted options to purchase 200,000 shares of common stock to employees.

On June 24, 2000, pursuant to an exemption under Section 4(2) of the Act, the Company granted an option to purchase 12,000 shares of common stock to a consultant and granted an option to purchase 161,300 shares of common stock to employees. We also issued 3,422 shares of common stock to discharge outstanding debts.

On July 19, 2000, pursuant to an exemption under Section 4(2) of the Act, the Company issued 1,027 shares of common stock to a consultant and issued 3,400 shares of common stock to discharge an outstanding debt.

On July 19, 2000, pursuant to an exemption under Section 4(2) of the Act and an exemption provided by Rule 701 of Regulation D promulgated under the Act, the Company granted options to purchase 261,500 shares of common stock to employees.

In July 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with the acquisition of Acquatic Propulsion Technology, Inc., a Bahaman corporation, the Company issued 120,000 shares of Common Stock to the shareholders of Acquatic Propulsion Technology, Inc.

In July 2000, pursuant to an exemption under Section 4(2) of the Act, the Company sold 3,000 shares of Series A-1 Preferred Stock to investors for an aggregate purchase price of $3,000,000. In connection with this sale the Company issued warrants to purchase 816,666 shares of our Common Stock.

On September 12, 2000, pursuant to an exemption under Section 4(2) of the Act, the Company issued 800 shares of common stock to employees.

On October 6, 2000, pursuant to an exemption under Section 4(2) of the Act, the Company granted options to purchase 7,100 shares of common stock to consultants and issued 10,940 shares of common stock pursuant to a consulting agreement and a joint venture marketing agreement.

On October 6, 2000, pursuant to an exemption under Section 4(2) of the Act and an exemption provided by Rule 701 of Regulation D promulgated under the Act, the Company granted options to purchase 9,500 shares of common stock to employees.

In October 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with the acquisition of the assets of EMB, Inc., the
Company issued 140,000 shares of Common Stock.

In October 2000, pursuant to an exemption under Section 4(2) of the Act, the Company sold 2,000 shares of Series A-2 Preferred Stock to investors for an aggregate purchase price of $2,000,000. In connection with this sale we issued warrants to purchase 368,323 shares of our common stock.

On December 7, 2000, pursuant to an exemption under Section 4(2) of the Act, the Company granted options to purchase 12,500 shares of common stock to consultants and issued 2,300 shares of common stock to employees.

On December 7, 2000, pursuant to an exemption under Section 4(2) of the Act, the Company issued 2,250 shares of common stock to consultants.

Item 6. Management's Discussion and Analysis. Overview

Forward-looking statements in this release are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of
1995. Such forward-looking statements involve risks and uncertainties, including, without limitation, continued acceptance of the company's products, increased levels of competition for the products and technological changes, the company's dependence upon third party suppliers, intellectual property rights, and other risks detailed from time to time in the company's periodic reports filed with the Securities and Exchange Commission.

The Company designs, assembles, manufactures and distributes electric bicycle power kits, electric bicycles and tricycles, electric scooters, electric motorcycles, and other electric transportation vehicles.

The Company sells its electric vehicles to retail customers, international distributors, law enforcement agencies, electric utility companies, bicycle dealerships, motorsport dealers, its dealers and mail order catalogs. Products are also available for purchase on the Company's Internet site, which is ZAPWORLD.COM. The Company sells to mail order catalogs and selected customers on various credit terms. Many of the smaller dealerships are sold a on cash on delivery basis. The Internet and retail sales are primarily paid for with a credit card or personal check before shipment of the product.

The Company's overall goal is to dominate the personal electric vehicle industry market. This goal will be obtained by a strategy of distribution and acquisition while focusing on a program of "Five P's," which include Production, Product, (Market) Penetration, Personnel, and Profitability. The Company's primary growth strategy is to increase net sales by augmenting its marketing and sales force, by increasing distribution channels through mass retail organizations and wholesale distributors both domestically and overseas, by setting up and acquiring retail outlet stores that specialize in electric vehicle transportation as well as franchise stores to assist in the retail arena. Strategic alliances with leaders in the industry are also of equal importance. The Company intends to increase its production capability to meet the increasing demand for its product. The Company will continue to develop the products so that it is the low cost leader in the industry. Product improvements, new product introductions, and the expansion of the ZAP electric outlet franchise network will continue to enlarge ZAP's presence in the electric vehicle industry. The Company intends to move the majority of its production activities overseas to contract manufacturers, which will maximize cost savings and enable it to focus on sales and distribution of its products.

In order to affect its plan, the Company completed the following acquisitions and strategic alliances during the year 2000:

1. Acquired Electric Vehicles Systems, Inc. which provided the Company with access to the patented technology for the Powerski(R). The Powerski is a recreational transportation product for inline skating that the Company began marketing in the second quarter of 2000.

2. Alliance with the battery developer Evercel. An agreement was signed to jointly produce a line of premium products using the best of ZAPWORLD's technology combined with EVERCEL's premium Nickel-Zinc batteries. Under the terms of the agreement, ZAPWORLD will install EVERCEL's premium performance Nickel-zinc battery in a high-end version of ZAP's LECTRA (R) electric motorcycle.

3. The Company signed a two year agreement with Smith and Wesson to provide bicycles manufactured by S&W with the patented ZAPWORLD .COM electric motor system. These bikes will be targeted to law enforcement agencies.

4. Acquisition of Aquatic Propulsion Technology, Inc. (APT) a Florida electric sea scooter company. Under terms of the agreement ZAPWORLD acquired all technology, assets, current operations and shares of APT in exchange for common stock of ZAPWORLD. APT holds five patents and manufactures an electric vehicle that is designed to pull a diver or swimmer through the water. Its patented design incorporates a battery powered propulsion system offering silent operation and zero emissions. By grasping the handles and squeezing on the trigger the user is pulled along the surface or even underwater. The scooter stops automatically when the trigger is released. The scooters are used for ocean diving and snokereling and as a recreational device for swimming pools and lakes.

5. The acquisition of Electric Motorbike Inc. (EMB) was completed in October, 2000. EMB first developed the LECTRA motorcycle in 1996. The LECTRA is believed to be the only production-ready electric motorcycle in the world. Under the terms of the agreement, ZAP acquired all of the assets, technology, engineering capabilities and customer contacts from EMB.

6. Co-Marketing agreement with Lucas LTD for scooters and console video game. Under the terms of the Agreement both parties have agreed to co-market the latest ZAP scooters and Lucas Learning console Game, Star Wars (R) Super Bombad Racing.

7. The Company also signed exclusive distribution agreements with the manufacturers of electric motor scooters, electric go-karts and electric pedi-cabs.

As a result of the above arrangements completed in 2000, the Company feels it is well positioned to be a dominant force in the electric vehicle marketplace for the next few years. With the introduction of the new products plus the existing line, the Company believes that it can satisfy a wide range of consumer interests.

Results of Operations

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net sales for the year ended December 31, 2000 were $12.4 million compared to $6.4 million in the prior year, an increase of $6 million or 93%. The Company experienced such a dramatic increase due to a vastly expanded customer base with larger retailers and distributors plus the addition of new products in 2000. Fourth quarter sales for 2000 increased $2.3 million over the fourth quarter in 1999, which can be attributable to exceptionally strong holiday sales. Internet sales were $602,800 and $259,100 in 2000 and 1999 respectively. This represented a 134% increase for 2000. A total of $1.1 million in products was sold to one customer during the year ended December 31, 2000, representing 9% of sales. In the year ended December 31, 1999, $680,000, or 11% of net sales, was sold to one customer.

Gross profit. Gross profit increased as a percentage of net sales to 37% from 31% during the year ended December 31, 2000. The increase is primarily due to product mix and is also the result of the Company's emphasis to improve product margins through greater cost controls and production efficiencies. It should also be noted that the gross profit percentage in 1999 was adversely impacted as the result of a one-time sale to a large distributor at a significant discount in the third quarter of 1999.

Selling. Selling expenses in 2000 were $2.2 million. This was an increase of $1million or 83% from $1.2 million in 1999. As a percentage of sales, selling expenses remained consistent at 18% for both 2000 and 1999. This increase was due to higher salaries and benefits as a result of expanding sales and marketing personnel and greater expenses for marketing and promotional items.

General and administrative expenses for 2000 were $3.8 million as compared to $1.9 million in 1999, which represents an increase of $1.9 million over 1999. As a percentage of sales, the General and Administrative Expenses remained fairly consistent at 30% of sales for 2000 and 1999. The current year's increase was due to higher salaries and benefits, greater expenses for consulting and temporary labor, higher depreciation and amortization expenses as a result of the current year acquisitions, increased general and liability insurance premiums which are partially calculated on net sales for the year and finally due to higher rent expense.

Research and development was $698,800 in 2000 as compared to $364,600 in 1999, which represents a $334,200 or 92% increase. As a percentage of net sales, Research and Development remained consistent at 6% in 2000 and 1999. The overall increase during the year was due to higher salary expense and greater R&D activities.

Other income increased $188,000 from $81,000 in 1999 to $269,000 in 2000. This increase can be attributed to $121,000 for higher interest earned on a commercial paper money market fund from the proceeds of the issuance of Preferred Stock. Also the Company received a $67,000 grant during the year from a state agency for a Neighborhood Electric Vehicle demonstration.

Interest Expense was $20,700 for the year ended 2000, which represents a $246,000 decrease from $267,000 in 1999, which is the result of lower outstanding debt in 2000.

Results of Operations

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net sales for the year ended December 31, 1999 were $6.4 million compared to $3.5 million in the prior year, an increase of $2.9 million or 83%. The increase in sales was due to greater acceptance of ZAP products in the marketplace. Internet sales were $259,100 and $57,100 in 1999 and 1998 respectively. This represented a 354% increase for 1999. A total of $680,100 in products was sold to one customer during the year ended December 31, 1999, representing 11% of sales. In the year ended December 31, 1998, $617,000, or 18% of net sales, was sold to one customer.

Gross profit. Gross profit decreased as a percentage of net sales to 31% from 32%. The gross profit percentage decrease of 1% is largely due to a one-time sale to a large distributor at a significant discount in the third quarter of 1999. Direct materials were 58% of net sales for the year ended December 31, 1998, as compared to 59% of net sales for the year ended December 31, 1999.

Selling. Selling expenses in 1999 were $1.2 million This was an increase of $219,000 or 22 % from 1998 to 1999. Due to greater market acceptance through ZAP's distribution channels, selling expenses as a percentage of sales decreased from 28% to 18% of sales. Costs increased as a result of additional personnel being added to the sales force.

General and administrative expenses for 1999 were $1.9 million. This is an increase of $965,800 or 100% over 1998. As a percentage of sales, general and administrative expense increased from 28% to 30% of net sales. Expense increases during 1999 as compared to 1998 occurred due to added personnel in the administrative and accounting areas. Additionally, legal expenses of $300,000 were incurred in 1999 relating to acquisition activities and patent issues.

Research and development was $364,600 in 1999 as compared to $202,600 in 1998, an 80% increase. As a percentage of net sales, Research and Development remained consistent at 6% in 1999 and 1998. The Company invested in developing new electric vehicle products and tooling that were expected to lower manufacturing costs and broaden the ZAP product line in 2000.

Other income increased $81,000 in 1999 over 1998. This 100% increase can be attributed to interest earned on a commercial paper money fund from the proceeds of private placement investments.

Interest Expense increased $167,000, 166% in 1999 over 1998. This increase is due to higher outstanding debt in 1999.

Liquidity And Capital Resources

The Company used cash from operations of $3.7 million and $1.5 million during the years ended December 31, 2000 and 1999 respectively. Cash used in operations in 2000 was the result of the net loss incurred for the year of $1.9 million, offset by net non-cash expenses of $725,000, and the net change in operating assets and liabilities resulting in a further cash use of $2.5 million . Cash used in operations in 1999 was the result of the net loss incurred for the year of $1.7 million, which was offset by net non-cash expenses of $636,000, and the net change in assets and liabilities resulting in a further use of cash of $407,000.

Investing activities used cash of $528,000 during the year ended 2000. Investing activities used cash for the purchase of fixed assets, additional capitalized patent costs, intangibles and the purchase Electric Motorbike, Inc. In the year ended December 31, 1999, investing activities provided cash of $602,000 which was principally due to proceeds from the emPower acquisition.

Financing activities provided cash of $4.5 million and $3.6 million during the years ended December 31, 2000 and 1999, respectively. In 2000, the Company received $4.5 million in proceeds from the issuance of $5 million of Convertible Preferred Stock to a small group of private investors. The stock may be converted into common stock over a three-year period at a specified price, which is contained in the Securities Purchase Agreement between ZAPWORLD.COM and Union Atlantic. A dividend is also attached to the stock at a rate of 6% per annum. The dividend is payable in common stock or cash at the discretion of the Company on June 30 each year or when the preferred stock is converted into common shares. The investors also received warrants that expire in five years to purchase an additional 1.2 million shares of common stock at an exercise price ranging from $5.43 to $5.98. In 1999, cash was provided by the sale of common stock in the amount of $1.8 million. Cash provided by the sale of stock in 1999 was partially used to extinguish notes payable to individuals of $361,900. At December 31, 2000 the Company had cash of $3.5 million as compared to $3.2 million at December 31, 1999. The Company's working capital at December 31, 2000 was $7.1 million compared to $4.5 million at December 31, 1999. The increase in cash and working capital is primarily due to financing provided by private placement investments.

The Company believes existing cash and cash equivalents will be sufficient to meet its operating requirements for at least the next twelve months, however the Company may sell additional equity or debt securities to further enhance its liquidity position.

In February 2001, the Company filed a request with the Securities and Exchange Commission to raise up to $12 million through the offering of 2.4 million shares of common stock at a price of $5.00 per share. The Company intends to use the proceeds for the purposes of expanding their sales force, increasing their marketing and distribution capacities, expanding domestic and international business operations, acquisitions, working capital and for general corporate purposes.

The sale of additional securities could result in further dilution of the Company's stockholders percentage ownership.

Seasonality and Quarterly Results

The Company's business is subject to seasonality influences. Sales volume in this industry typically slows down during the winter months of November through March in the U.S. However, the Company is marketing worldwide and is not impacted by U.S. seasonality.

Inflation

The Company's raw materials are sourced from stable cost competitive industries. As such, the Company does not foresee any material inflationary trends for its raw material sources. However, with the low unemployment rate currently seen in Sonoma County, California, the Company expects that current wage rates will be driven up due to competitive pressures from other local manufacturing companies.

Item 7. Financial Statements

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ZAPWORLD.COM

We have audited the accompanying consolidated balance sheet of ZAPWORLD.COM and Subsidiaries as of December 31, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 consolidated financial position of ZAPWORLD.COM and Subsidiaries as of December 31, 2000, and the consolidated results of their operations and their cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

San Francisco, California
March 9, 2001

ZAPWORLD.COM and Subsidiaries

CONSOLIDATED BALANCE SHEET

Year ended December 31,2000
(in thousands)

ASSETS

CURRENT ASSETS	
Cash	$ 3,543
Accounts receivable, net of allowance for doubtful accounts of $53,000	1,613
Inventories	2,898
Prepaid expenses and other assets	696
Total current assets	8,750
PROPERTY AND EQUIPMENT - NET	510
OTHER ASSETS	
Patents and trademarks, less accumulated amortization	1,432
Goodwill, less accumulated amortization	2,023
Deposits and other	112
Total other assets	3,567
Total assets	$ 12,827

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 398
Accrued liabilities and customer deposits	1,167
Current maturities of long-term debt	99
Current maturities of obligations under capital leases	32
Total current liabilities	1,696
OTHER LIABILITIES	
Long-term debt, less current maturities	95
Obligations under capital leases, less current maturities	31
	126
COMMITMENT	
STOCKHOLDERS' EQUITY	
Preferred stock, authorized 10,000 shares of no par value;	1,812
Common stock, authorized 20,000 shares of no par value;	19,117
Accumulated deficit	(9,664)
Unearned compensation	(42)
	11,223
Less: notes receivable from shareholders	(218)
Total stockholders' equity	11,005
Total liabilities and stockholders' equity	$ 12,827

See accompanying notes to financial statements.

ZAPWORLD.COM and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended December 31,2000

(in thousands, except per share amounts)

	2000	1999
Net sales	$ 12,443	$ 6,437
Cost of goods sold	7,860	4,446
		1,613
Gross profit	4,583	1,991
		8,750
Operating expenses		
Selling	2,204	1,187
General and administrative	3,824	1,945
Research and development	699	365
	6,727	3,497
Loss from operations	(2,144)	(1,506)
Other income (expense)		
Interest expense	(21)	(267)
Other income	269	81
	248	(186)
Loss before income taxes	(1,896)	(1,692)
Provision for income taxes	1	1
NET LOSS	$ (1,897)	$ (1,693)
Net loss attributable to common shares		
Net loss	$ (1,897)	$ (1,693)
Preferre dividend	(2,649)	
	$ (4,546)	$ (1,693)
Net loss per common share		
Basic and diluted	$ (0.85)	$ (0.43)
Weigted average common shares outstanding	5,362	3,928

See accompanying notes to financial statements.

ZAPWORLD.COM and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
Years ended December 31, 2000 and 1999
(in thousands)

	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Commom Stock Shares	Commom Stock Amount	Accumulated Deficit	Unearned Compesation and services	Note Receivable from Shareholder	Total
Balance January 1, 1999	--	$ --	2,665	$	(3,425)	$ --	$ --	$ 386
Issuance of common stock								
Cash			30	178				178
Private placement, net of expense of $614			746	1,721				1,721
Acquisitions			280	2,264				2,264
Advance to retail stores & technology co's			58	406				406
Employee stock purchase plan			1	6				6
Repurchase of shares			(2)	(11)				(11)
Services			27	141				141
Litigation settlement			9	50				50
Conversion of Debt			165	665				665
Exercise of employee stock options			559	423				423
Exercise of non-employee stock op			571	2,000				2,000
Fair value of stock options and warrants issued to employees			-	1				1
Fair value of stock options and warrants issued to non-employees			-	135				135
Stock options and warrants issued for future services			-	263		(127)		136
Amortization of unearned compensation						31		31
Note Receivable from shareholders							(285)	(285)
Net loss					(1,693)			(1,693)
Balance, December 31, 1999	--	--	5,109	12,053	(5,118)	(96)	(285)	6,554
Issuance of convertible preferred stock								
Series A-1 preferred stock, net of issuance cost of $295	3	2,705						2,705
Series A-2 preferred stock, net of issuance cost of $192	2	1,808						1,808
Common stock warrants issued with preferred stock	--	(2,292)	--	2,292				--
Beneficial conversion features of preferred stock			--	2,539				2,539
Deemed dividend from preferred stock					(2,539)			(2,539)
Issuance of common stock								
Cash			3	14				14
Acquisitions			260	1,522				1,522
Advance to retail stores & technology co's			10	50				50
Employee stock purchase plan			1	10				10
Services			11	42				42
Employee compensation			5	27				27
Preferred stock conversion	(1)	(409)	250	409				--
Cashless conversion of warrants.			71					--
Exercise of employee stock options			84	96				96
Exercise of non-employee stock options			12	63				63
Amortization of unearned compensation						54		54
Payment on notes receivable							67	67
Dividend declare on preferred stock					(110)			(110)
Net loss					(1,897)			(1,897)
Balance, December 31,2000	4	$1,812	5,816	$19,117	$(9,664)	$(42)	$(218)	$11,005

See accompanying notes to financial statements.

ZAPWORLD.COM and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
Year ended December 31,
(in thousands)

	2000	1999
Cash flows from operating activities:		
Net loss	$ (1,897)	$ (1,693)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	629	124
Issuance of common stock for services rendered	42	141
Issuance of common stock for litigation settlement	---	50
Issuance of stock options for services rendered	---	135
Noncash charges & settlement of debt	---	156
Amortization of fair value of warrants	54	31
Changes in:		
Accounts receivable	(1,260)	(69)
Inventories	(1,073)	(878)
Prepaid expenses and other assets	(393)	24
Deposits	(18)	(13)
Accounts payable	(545)	312
Accrued liabilities and customer deposits	799	218
Net cash used in operating activities		(1,462)
Cash flows from investing activities:		
Purchases of property and equipment	(239)	(188)
Purchases of Electric Motorbike, Inc.	(100)	---
Purchase of American Scooter and Cycle Rental	---	(70)
Purchase of Big Boy Bicycles	---	(15)
Proceeds from emPower acquisition	---	1,033
Purchase of intangibles	(209)	(66)
Payment advances for acquisitions	---	(72)
Issuance of note receivable	---	(20)
Payments of note receivable	20	---
Net cash provided by (used in) investing	(528)	602
Cash flows from financing activities:		
Sale of preferred stock, net of preferred stock offering costs	4,513	---
Sale of common stock, net of stock offering costs	14	1,813
Issuance of common stock under employee purchase plan	10	6
Proceeds from issuance of long-term debt	---	(362)
Proceeds from exercise of stock options	159	2,423
Repurchase of common stock	---	(11)
Advances on notes receivable to shareholders	---	(285)
Proceeds from payment of note receivable from a shareholder	67	
Payments on obligations under capital leases	(13)	(15)
Principal repayments on long-term debt.	(201)	---
Net cash provided by financing activities	4,549	3,569
NET INCREASE IN CASH	359	2,709
Cash, beginning of year	3,184	475
Cash, end of year	$ 3,543	$ 3,184

See accompanying notes to financial statements.

ZAPWORLD.COM

STATEMENTS OF CASH FLOWS
Year ended December 31,
(in thousands)

Suplemental cash flow information:	2000	1999
Cash paid during the year for:		
Interest	$ 21	$ 115
Income taxes	1	1
Non-cash investin and financing activities:		
Conversion of debt into common stock	---	475
Conversion of accounts payable into common stock	---	35
Equipment acquired through capital lease obligations	27	27
Notes payable used to exercise stock options	---	32
Issuance of common stock upon acquisition of Electric Motorbike, Inc. and Aquatic Propulsion Technology	1,522	---
Issuance of common stock upon acquisition of American Scooter and Cycle Rental, Big Boy Bicycles, and emPower Corporation	---	2,264
Assets and liabilities recognized upon acquisition of Electric Motorbike, Inc. and Aquatic Propulsion Technology		
Inventories	100	---
Property and equipment	78	---
Other assets	19	---
Patent	196	---
Goodwill	1,991	---
Accounts payable	201	---
Advances from ZAPWORLD	206	---
Assets and liabilities recognized upon acquisition of American Scooter and Cycle Rental, Big Boy Bicycles, and empower Corporation.		
Cash	---	1,033
Inventories	---	214
Prepaid expenses and other	---	56
Property and equipment	---	70
Patent	---	1,155
Accounts payable	---	131

See accompanying notes to financial statements.

ZAPWORLD.COM and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ZAPWORLD.COM ("the Company"), formerly the ZAP Power Systems, was incorporated in California in September, 1994. The Company designs, manufactures, and distributes electric bicycle power kits, electric bicycles and tricycles, and other low power electric transportation vehicles. Company products are sold directly to end-users and to distributors throughout the United States.

1. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, ZAPWORLD Stores, Inc., and emPower Corporation. All significant inter-company transactions and balances have been eliminated.

2. Revenue Recognition

The Company recognizes income when products are shipped.

3. Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods and are carried at the lower of cost (first-in, first-out method) or market.

4. Property and Equipment

Property and equipment are stated at cost and depreciated using straight-line and accelerated methods over the assets' estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives are as follows:

Machinery and equipment	7 years
Equipment under capital leases	5 years
Demonstration bicycles	2 years
Office furniture and equipment	7 years
Vehicle	5 years
Leasehold improvements	15 years or life of lease, whichever is shorter

5.Patents and Trademarks.

Patents and trademarks consist of costs expended to perfect certain patents and trademarks acquired and are amortized over ten years.

6. Goodwill

Goodwill consists of the excess consideration paid over net identifiable assets acquired and is amortized over ten years.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income Taxes

The Company accounts for income taxes using an asset and liability approach for financial accounting and reporting purposes. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. The amounts estimated could differ from actual results.

9. Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. For certain of the Company's financial instruments, including cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturities. The fair value of debt is not determinable due to the terms of the debt and no comparable market for such note.

10. Net Loss Per Common Share

Net loss per common share, basic and diluted, has been computed using weighted average common shares outstanding. The potential dilutive securities of options and warrants of 2,859,000 and 1,304,000 in 2000 and 1999, respectively, and the conversion of preferred stock into common stock as described in Note I, have been excluded from the dilutive computations, as their inclusion would be anti-dilutive.

11. Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") No. 25, Accounting for Stock Issued to Employees, and complies with disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. Under APB No. 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the quoted market price of the Company's stock and the amount an employee must pay to acquire the stock.

12. Segment Information

The Company operates in one reportable segment. The Company's chief operating decision maker is the Chief Executive Officer who reviews a single set of financial data that encompasses the Company's entire operations for purposes of making operating decisions and assessing performance.

13. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which defined derivatives, requires that all derivatives be carried at fair value and provides for hedge accounting when certain conditions are met. SFAS No. 133, as amended by SFAS No. 137, is effective for the Company in fiscal 2001. Although the Company has not fully assessed the implication of SFAS No. 133 as amended, the Company does not believe that the adoption of this statement will have a material effect on its financial condition or results of operations.

NOTE B - INVENTORIES

Inventories consist of the following at December 31, 2000 (thousands):

Raw materials	$1,960
Work-in-process	78
Finished goods	860

	$2,898
	==========

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2000 (thousands):

Machinery and equipment	$371
Computer equipment	289
Demonstration bicycles	90
Office furniture and equipment	111
Leasehold improvements	94
Vehicle	118

	1,073
Less accumulated depreciation and amortization	563

	$510
	==========

NOTE D - DEBT

Promissory note payable in monthly installments of $6,000 through June 30, 2001 and $7,000 per month through July 1, 2004. Interest accrues at 10% per year. The note is convertible into common stock at $5.00 per share and may be converted on or before December 31, 2000. At December 31, 2000, none of the note principal was converted (thousands). $ 165

Other	29

	194
Less current portion	99

	$95
	==========

Installments due on debt principal are as follows (thousands):

Year ending December 31,

2001	$99
2002	89
2003	6

	194
	==========

NOTE E - PROVISION FOR INCOME TAXES

	2000	1999
Current tax expense (thousands)		
Federal	$ --	$ --
State	1	1
	$ 1	$ 1
Deferred tax assets (liabilities)		
Tax loss carryforward	$2,057	$1,820
Inventory capitalization	(283)	(99)
Other	(37)	(71)
	1,737	1,650
Less valuation allowance	(1,737)	(1,650)
	$ --	$ --

The Company has available for carryforward approximately $4,549,000 and $2,660,000 of federal and state net operating losses, respectively, expiring through 2020 for federal purposes and 2010 for state purposes. The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating losses in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code. There has been no determination whether an ownership change, as defined, has taken place. Therefore, the extent of any limitation has not been ascertained.

A valuation allowance is required for those deferred tax assets that are not likely to be realized. Realization is dependent upon future earnings during the period that temporary differences and carryforwards are expected to be available. Because of the uncertain nature of their ultimate utilization, a full valuation allowance is recorded against these deferred tax assets. The change in the valuation allowance at December 31, 2000 and 1999 was $87,000 and $435,000, respectively.

The difference between the income tax expense at the federal statutory rate and the Company's effective tax rate is as follows:

	December 31	
	2000	1999
Statutory federal income tax rate	34%	34%
State income tax rate	6	6
Valuation allowance	(40)	(40)
	-%	-%

NOTE F - STOCK OPTIONS AND WARRANTS

Options to purchase common stock are granted by the Board of Directors under three Stock Option Plans, referred to as the 1999, 1996 and 1995 plans. Options granted may be incentive stock options (as defined under Section 422 of the Internal Revenue Code) or nonstatutory stock options. The number of shares available for grant under the 1999, 1996 and 1995 Plans are 1,500,000, 600,000 and 750,000, respectively. Options are granted at no less than fair market value on the date of grant, become exercisable as they vest over a two or three year period, and expire ten years after the date of grant.

Option activity under the three plans is as follows (thousands, except per share amounts):

	1999 Plan		1996 Plan		1995 Plan	
	---	$ ---	Number of Shares	Weighted Average Exercise Price	Number or Shares	Weighted Average Exercise Price
Outstanding at January 1, 1999			364	$1.55	419	$0.56
Granted	481	$6.33	35	$4.06	---	---
Exercised	(1)	$5.00	(259)	$1.15	(299)	$0.40
Canceled	(1)	$5.00	(14)	$3.50	(50)	$1.00
Outstanding at December 31, 1999	479	$6.34	126	$2.85	70	$0.93
Granted	630	$5.17	---	---	---	---
Exercised	(7)	$5.00	(52)	$1.23	(25)	$1.00
Canceled	(4)	$5.25	---	---	---	---
Outstanding at December 31, 2000	1,098	$5.71	74	$3.97	45	$1.00

The weighted average fair value of options granted during the years ending December 31, 2000 and 1999 was $3.52 and $4.33, respectively.

The following information applies to options outstanding at December 31, 2000:

Plan:	1999	1996	1995
Range of exercise prices	$4.12 -- $9.87	$1.00 -- $5.25	$1.00
Weighted average remaining life (years)	9-15	7.07	5.50
Options exercisable	303,000	72,000	45,000
Weighted average exercise price	$5.96	$3.97	$1.00

The Company has adopted the disclosure only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock- Based Compensation (SFAS 123)". Accordingly, no compensation expense has been recognized for stock options issued during 2000 and 1999. Had compensation cost for the Company's options been based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have approximated the following proforma amounts (thousands, except per share amounts):

	2000	1999
Net loss – as reported	$(1,807)	$(1,693)
Net loss – as Pro forma	(3,448)	(2,687)
Loss per share – as reported	(0.85)	(0.42)
Loss per share – Pro forma	(1.14)	(0.68)

The fair value of each option and warrant is estimated on date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000	1999
Dividends	$(1,807)	$(1,693)
Expected volatility	(3,448)	(2,687)
Risk free interest rate	(0.85)	(0.42)
Expected life	(1.14)	(0.68)

The Company granted stock options and warrants to purchase common stock to non-employees of the company. Total granted during 2000 was 1,217,000 consisting of 1,185,000 warrants to preferred shareholders and 32,000 to other non-employees. The options and warrants have exercise prices ranging from $5.93 to $5.98. Non-employee options and warrants exercisable at December 31, 2000 is 1,607,000.

During 1999, the Company granted a total of 1,138,000 options and warrants to purchase common stock to non-employees consisting of 671,000 in connection with the private placement, 200,000 in connection with the emPower acquisition, 100,000 in connection with placement fees and 167,000 to other non-employees. The options and warrants have exercise prices ranging from $3.02 to $6.36.

The company recorded the non-employee options and grants based on the grant date for value in accordance with SFAS No. 123. The grant date fair value of each stock option was estimated using the Black-Scholes option-pricing model. The company recorded expense including amortization of unearned compensation in the amount of $54,000 and $166,000 for the years ended December 31, 2000 and 1999, respectively.

Options and warrant activity for non-employees is as follows (in thousands except per share amounts):

		Weighted Average
Outstanding at 1/1/99	126	$4.74
Granted	1,138	4.58
Exercised	(571)	3.50
Forfeited	(64)	4.75
Outstanding at 12/31/99	629	5.51
Granted	1,217	5.55
Exercised	(83)	5.45
Forfeited	(121)	5.51
Outstanding at 12/31/2000	1,642	$5.37

NOTE G - MAJOR CUSTOMER

During 2000, one customer accounted for $1,112,000 or 9% of the Company's net sales. During 1999, one customer accounted for $680,000 or 11% of the Company's net sales.

During 2000, one vendor accounted for $3,054,000 or 44% of the Company's supplies and materials. During 1999, one vendor accounted for $799,000 or 12% of the Company's supplies and materials.

NOTE H - COMMITMENT

The Company rents warehouse and office space under operating leases that expire through 2005. The monthly rent is adjusted annually to reflect the average percentage increase in the Consumer Price Index. An option exists to extend each lease for an additional five- year period. Rent expense under these leases were $250,000 and $125,000 in 2000 and 1999, respectively.

Future minimum lease payments on the lease are as follows (thousands):

Year ending December 31,	
2001	$388
2002	338
2003	332
2004	173
2005	48

Total	$1,279
	======

NOTE I - PREFERRED STOCK

During 2000, the Company issued 3 thousand shares of Preferred Stock Series A-1 and 2 thousand shares of Preferred Stock Series A-2. Both series are immediately convertible into common stock at the lesser of the fixed price of $4.50 for the Series A-1 and $5.91 for the Series A-2 or at the variable conversion price determined as follows: (1) on or before the first anniversary date, the amount of 85% of the average of the 3 lowest closing price over the 22 trading days prior to conversion, (2) thereafter and or before the second anniversary, the amount of 80% of the average of the 3 lowest closing prices over the 22 days prior to conversion, and (3) thereafter and on or before the day prior to the third anniversary date, the amount of 70% of the average of the 3 lowest closing prices over the 45 trading days prior to conversion. Dividends are cumulative and accrue at 6% per year and payable on June 30th of each year or on conversion date. Dividends are payable in cash or in common stock at the Company's option. During the year, 920 shares of preferred stock were converted into common stock. All preferred stockholders are subject to automatic conversion to common stock three years from the date of purchase.

During the year, the Company recorded a deemed dividend on preferred stock of approximately $2.5 million. This is a result of the effective conversion price of the convertible preferred stock issued during the year being less than the market price of the common stock on the date of the transaction. All deemed dividends related to the transaction have been recognized during the year as a result of all preferred stock being immediately convertible at the discretion of the holder.

In connection with the issuance of preferred stock, the Company granted 1,185,000 warrants to purchase common stock. The warrants are immediately exercisable and have exercise prices ranging from $5.43 to $5.98.

NOTE J - ACQUISITIONS

In October 2000, the Company purchased all assets of Electric Motorbike Inc. ("EMB") and assumed certain liabilities. The Company issued 140,000 shares of common stock at $5.68 and paid $100,000 in cash. The purchase price was allocated to assets acquired based on their estimated fair value. Results of operations for EMB have been included with those of the Company for the periods subsequent to the date of acquisition. Pro forma information is not presented as they are not significant.

The purchase price of EMB was allocated as follows (thousands):

Inventory	$ 51
Goodwill	960
Advances from ZAPWORLD	(63)
Liabilities assumed	(53)

	$895

Consideration paid (thousands):

Cash	$ 100
Common stock	795

	$895

In July 2000, the Company purchased all assets of Aquatic Propulsion Technology, Inc. ("APT") and assumed certain liabilities. The Company issued 120,000 shares of common stock at $6.05 per share. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. Results of operations for APT have been included with those of the Company for periods subsequent to the date of acquisition. Pro forma information is not presented as they are not significant.

The purchase price of APT was allocated as follows (thousands):

Inventory	$ 49
Property & equipment	78
Patents	196
Other assets	19
Goodwill	1,031
Note payable assumed	(356)
Advances from ZAPWORLD	(143)
Liabilities assumed	(148)

	$726

Consideration paid (thousands):

Common stock $726

Item 8 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

During our two most recent fiscal years our principal independent accountant has neither resigned (or declined to stand for re-election) nor been dismissed.

Part III

Item 9 Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

MANAGEMENT

Directors and Management

Name	Age	Position
Gary Starr	45	Director, Chief Executive Officer
Robert Swanson	53	Director, Chairman of the Board
Doug Wilson	40	Director
William Evers	73	Director
Lee S. Sannella, M.D.	84	Director
Harry Kraatz	51	Director
Andrew Hutchins	40	Vice President Operations
Scott Cronk	35	Vice President Business Development
Joni Arellanes	45	Corporate Secretary

Gary Starr has been a director and executive officer since our inception in 1994, and our Chief Executive Officer since September 1999. Mr. Starr has been building, designing, and driving electric cars for more than 25 years. In addition to overseeing the marketing of more than 50,000 electric bicycles and other electric vehicles, Mr. Starr has invented several solar electric products and conservation devices. Mr. Starr has a Bachelor of Science Degree from the University of California, Davis in Environmental Consulting and Advocacy.

Robert E. Swanson has served as Chairman of our board of directors since 1999. Mr. Swanson is also chairman of the board, sole director, and sole stockholder of Ridgewood Capital Corporation. Mr. Swanson organized Ridgewood Power, LLC, formerly known as Ridgewood Power Corporation ("Ridgewood Power"), for the purposes of, among other things, sponsoring six investment trusts that have primarily invested in the deregulated electric power industry and in related or similar infrastructure assets. Mr. Swanson is also chairman of the board of the Ridgewood Power Growth Fund, and president, registered principal and sole stockholder of Ridgewood Securities Corporation. Mr. Swanson was a tax partner at the former New York and Los Angeles law firm of Fulop & Hardee and an officer in the Investment Division of Morgan Guaranty Trust Company. He is a graduate of Amherst College and Fordham University Law School.

Doug Wilson has been a director of our company since 1999. Mr. Wilson was a principal of Monhegan Partners, Inc., which provided acquisition and financial advisory services for Ridgewood Power and its investment funds from October 1996 until September 1998, at which time he joined Ridgewood Power as Vice President of Acquisitions. Mr. Wilson has over 14 years of capital markets experience, including specialization in complex lease and project financing in energy-related businesses. He has a Bachelor of Business Administration from the University of Texas and a Masters degree in Business Administration from the Wharton School of the University of Pennsylvania.

William D. Evers has been a director of our company since 1999. Mr. Evers is a partner at the law firm of Foley & Lardner and is one of the leading securities law attorneys in California, specializing in private placements, Section 25102(n) offerings, Small Corporate Offering Registration, Regulation A Exemptions and Small Business Registrations. He has handled numerous mergers and acquisitions. Mr. Evers has also has extensive experience in franchising and has been the CEO or President of various business ventures. He holds a Bachelor of Arts Degree from Yale University and a Juris Doctor Degree from the University of California, Berkeley.

Lee Sannella, M.D. has been a director of our company since its inception in 1994. Dr. Sannella has been an active researcher in the fields of alternative transportation, energy, and medicine for more than 25 years and has been a founding shareholder in many start-up high technology companies. A graduate of Yale University, he maintained an active medical practice for many years in ophthalmology and psychiatry.

Harry Kraatz became one of our directors on December 7, 2000. Since investing in our business in 1998, he has provided franchise consulting and certain financial services. Beginning in June 1986, Mr. Kraatz has been the sole officer and director of The Embarcadero Group II, and T.E.G. Inc., a franchise management and financial consulting company located in San Francisco, California. Working with those companies he has provided consulting services to numerous finance and franchising companies including Montgomery Medical Ventures, Commonwealth Associates, Westminster Capital and World Wide Wireless Communications, Inc. He received a degree from SMSU in 1971.

Andrew Hutchins was appointed Vice President for Operations of our company in October 1999. He joined our company in December 1996 and since June 1997 has been our General Manager. Successful as an entrepreneur, Mr. Hutchins started, developed and managed a retail bicycle business for 11 years prior to selling it for several times his initial investment. In 1982, Mr. Hutchins received a Bachelor of Arts degree with a double major in Business Economics and Communication Studies from the University of California at Santa Barbara.

Scott Cronk was appointed Vice President of Business Development of our company in December 1999. He was the founder of Electric MotorBike, Inc. and served as its President from 1995 to 1999. Previously, as Director of Business Development & International Programs, Mr. Cronk led strategic venturing activities for U.S. Electricar, Inc. Mr. Cronk has a Bachelor of Science degree in Electrical Engineering from GMI Engineering & Management Institute (now Kettering University) and a Masters of Business Administration degree from the City University of London, England.

Joni Arellanes has been with us since 1998. Currently the Executive Administrator to the President, Vice President and CEO, Ms. Arellanes was appointed our Corporate Secretary in December 2000. Prior to joining our company, Ms. Arellanes was a program administrator for a certified autodesk training center program with over 200 locations in the United States and Canada. Ms. Arellanes holds a Bachelor of Arts degree in Environmental Studies and Planning from Sonoma State University.

Item 10 Executive Compensation.

The following tables set forth information concerning the compensation we paid for services rendered during our fiscal years ended December
31, 2000, 1999 and 1998, by the Named Executive Officers. The Named Executive Officers are our company's Chief Executive Officer, regardless of compensation level, and the other executive officers of our company who each received in excess of $100,000 in total annual salary and bonus for the fiscal years ended December 31, 2000, 1999 and 1998.

Summary Compensation Table

		Annual Compensation			Long – Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award ($)	Stock Underlying Options / SARs (#)	LTIP Payouts ($)	All other Compen-sa-tion ($)
Gary Starr	1998	35,700						
Chief Executive officer	1999	39,500	200			135,000		
	2000	59,600	700					
John Dabels	2000	69,000	700					
Former President								
James McGreen	1998	37,500						
Former President	1999	34,000	200				35,000	

The following table shows all individual grants of stock options to the Named Executive Officers (as defined above) for the fiscal ear ended December 31, 2000.

Option/SAR Grants in Last Fiscal Year (Individual Grants)

Name	Year Options Granted	Number or Securities Underlying Options/SARs Granted	% of Total Options / SARs Granted to Employees in fiscal Year.	Exercise or Base Price ($/Sh)	Expiration Date
John Dabels	2000	200,000	32	4.12	04/15/01

Compensation of Directors

Our directors do not receive any cash compensation for their service on our Board of Directors, but they may be reimbursed for certain expenses in connection with their attendance at board meetings.

Item 11 Security Ownership of Certain Beneficial Owners and Management.

The following table presents information with respect to beneficial ownership of our Common Stock as of March 26, 2001 by:

o Each person or entity who beneficially owns more than 5% of the Common Stock;

o Each of our directors;

o Each of our Named Executive Officers; and

o All Executive Officers and directors as a group.

Unless otherwise indicated, the address for each person or entity named below is c/o ZAPWORLD.COM, 117 Morris Street, Sebastopol, California 95472. The table includes all shares of Common Stock issuable within 60 days of March 26, 2001 upon the exercise of options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and except for community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. The applicable percentage of ownership is based on 12,215,566 shares of Common Stock outstanding on a fully diluted basis as of March 26, 2001. The number of shares of Common Stock outstanding on a fully diluted basis includes 1,642,000 shares of Common Stock issuable upon the exercise of certain warrants and options to non-employees, 1,217,000 shares of Common Stock issuable upon the exercise of certain options, and 3,316,749 shares of Common Stock issuable upon the conversion of shares of our outstanding Series A-1 and A-2 Preferred Stock into shares of Common Stock.

Shares Beneficially Owned

Name of Beneficial Owner	Number	Percent
The Endeavour Capital Fund, S.A. P.O.B. 57116 Jerusalem 91570 Israel (1)	1,989,741	16.0
Celeste Trust Reg. C/O Trevisa-Treuhand-Anstalt Landstrasse 8 Furstentums 9496 Balzers, Liechtenstein (2)	533,862	4.0
Esquire Trade & Finance Trident Chambers P.O. Box 146 Road Town, Tortola British Virgin Islands (3)	534,657	4.0
Douglas R. Wilson (4)	1,250,357	10.0
Lee Sanella (5)	71,952	*
William D. Evers (6)	76,723	*
Robert E. Swanson (7)	1,250,357	10.0
Gary Starr(8)	520,117	4.0
Harry Kraatz (9)	255,000	2.0
All Executive Officers and directors as a group (6 persons)	2,174,149	18.0

* Represents beneficial ownership of less than 1%.

(1) Includes 1,989,741 shares of Common Stock issuable upon the conversion of 2328 shares of Series A-1 and Series A-2 Preferred Stock.

(2) Includes 516,862 shares of Common Stock issuable upon the conversion of 604 shares of Series A-1 and Series A-2 Preferred Stock.

(3) Includes 519,657 shares of Common Stock issuable upon the conversion of 608 shares of Series A-1 and Series A-2 Preferred Stock.

(2) These shares are held by Ridgewood Power, LLP and include 100,000 shares of Common Stock issuable upon the exercise of warrants exercisable within 60 days of March 26, 2001 by Ridgewood Power, LLP. Mr. Wilson is one of our directors and a principal of Ridgewood Power, LLP. Mr. Wilson does not personally own any of our shares.

(3) Mr. Sanella is one of our directors.

(4) Includes 75,000 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of March 26, 2001. Mr. Evers is one of our directors.

(5) These shares are held by Ridgewood Power, LLP and include 100,000 shares of Common Stock issuable upon the exercise of warrants exercisable within 60 days of March 26, 2001 by Ridgewood Power, LLP. Mr. Swanson is the Chairman of our board and a principal of Ridgewood Power, LLP. Mr. Swanson does not personally own any of our shares.

(6)Includes 135,000 shares of Common Stock issuable upon the exercise of incentive stock options exercisable within 60 days of March 26,
2001. Mr. Starr is our CEO and a director.

(7) Includes 210,000 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of March 26, 2001. Mr. Kraatz is one of our directors.

Item 12 Certain Relationships and Related Transactions.

Since our inception in 1994, we have not been a party to any transaction or series of similar transactions in which the amount involved exceeded or will exceed $60,000 and in which any director, executive officer or holder of more than 5% of our Common Stock had or will have an interest, other than as described under "Management" and the transactions described below.

William D. Evers, is a member of our Board of Directors and our principal outside counsel. During our year ended December 31, 2000, Mr. Evers' law firm received $261,000 in compensation for legal services provided to us.

Item 13 Exhibits and Reports on Form 8-K.

Exhibits

Exhibit No.	Description
3.1	Articles of Incorporation of ZAP Power Systems, endorsed and filed on September 23, 1994.
3.2	Certificate of Amendment to Articles of Incorporation of ZAP Power Systems, endorsed and filed on November 8, 1996
3.3	Certificate of Amendment of Articles of Incorporation of ZAP Power Systems, endorsed and filed on June 2, 1999
3.4	Certificate of Amendment of Articles of Incorporation of ZAPWORLD.COM, endorsed and filed June 28, 2000
3.5	Certificate of Determination of Rights and Preferences of the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock, endorsed and filed June 28, 2000
3.6	Certificate of Amendment of Articles of Incorporation of ZAPWORLD.COM, endorsed and filed February 26, 2001
3.7	Amended Bylaws of ZAPWORLD.COM, dated June 24, 2000
10.1	Agreement and Plan of Reorganization By and Among ZAPWORLD.COM and ZAP of Santa Cruz, Inc. dated January 20, 2000.
10.2	Agreement of Merger of ZAPWORLD.COM and ZAP of Santa Cruz, Inc. dated January 20, 2000.
10.3	Plan of Reorganization for EMB, Inc. dated May 5, 2000.
10.4	Asset Purchase Agreement between ZAPWORLD.COM and American Scooter and Cycle Rentals, Inc., dated January 31, 2000.
10.5	Stock Purchase Agreement and Plan of Reorganization between ZAPWORLD.COM, Barbary Coast Pedi Cab Leasing Corporation, and Jeff Sears and Helena Sears as Trustees of the Jeff Sears and Helena Sears Revocable Trust dated January 31, 2000
10.6	Agreement and Plan of Reorganization by and among ZAPWORLD.COM and Aquatic Propulsion Technology, Inc. dated July 1, 2000.
10.7	Agreement of Merger of ZAPWORLD.COM and Aquatic Propulsion Technology, Inc. dated July 1, 2000.
10.8	Lease Agreement Between ZAPWORLD.COM and Pine Creek Properties for 6784 Sebastopol Ave. dated August 24, 2000.

10.9 Lease Agreement Between ZAPWORLD.COM and Pine Creek Properties for 6770-B Depot Street dated Octover 16, 2000.

23.1 .Consent to Grant Thornton LLP.

Reports on Form 8-K.

We did not file any reports on Form 8-K during the last quarter of the period covered by this report. However, on January 10, 2001 we filed a
Form 8-K wherein we reported that John R. Dabels resigned as president and as a member of our Board of Directors.

**SIGNATU
RES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ZAPWORLD.C
OM**
(Registr
ant)

By /s/ Gary Starr

(Gary Starr, Chief Executive Officer)
Date March 28, 2001

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	*Title*	*Date*
/s/ Gary Starr -----------------------	*Director/CEO/CFO*	*March 28, 2001*
/s/ Robert E. Swanson -----------------------	*Director/Chairman of the Board*	*March 28, 2001*
/s/ William D. Evers -----------------------	*Director*	*March 28, 2001*
/s/ Harry Kraatz -----------------------	*Director*	*March 28, 2001*