

SPECTRE INDUSTRIES INC
Form DEFA14A
October 20, 2003

SCHEDULE 14A/A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. 4)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the approximate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

SPECTRE INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

not applicable

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies:

-

2) Aggregate number of securities to which transaction applies:

-

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

-

5) Total fee paid:

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Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SPECTRE INDUSTRIES INC.
#6-260 E. ESPLANADE
North Vancouver, British Columbia V7L 1A3

NOTICE OF SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD ON NOVEMBER 12, 2003

TO THE HOLDERS OF COMMON SHARES OF
SPECTRE INDUSTRIES INC.

The special meeting of the shareholders of Spectre Industries Inc. will be held at #800-885 West Georgia St., Vancouver, British Columbia, on November 12, 2003, at 10:00 am local time, for the purposes of approving the sale of all of the issued and outstanding shares of our wholly owned subsidiary, Grant Automotive Group, Inc. ("GAG") to Grant Brothers Sales, Ltd. ("GBS") pursuant to the terms of a letter agreement (the "Agreement") (attached as Schedule "A") dated December 11, 2002 (the "Sale").

The record date for our special meeting is October 24, 2003. Only shareholders of record at the close of business on October 24, 2003 are entitled to notice of, and to vote at, our special meeting, and any adjournment or postponement of our special meeting.

Our board of directors hopes that you will find it convenient to attend our special meeting in person, but whether or not you attend, please complete, sign, date and return the enclosed Form of Proxy immediately to ensure that your common shares are represented at our special meeting. Returning your proxy does not deprive you of the right to attend our special meeting and vote your common shares in person.

PLEASE MARK, DATE, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY.

By Order of the Board of Directors

/s/ Ian S. Grant

Ian S. Grant

President and Chief Executive Officer

October 17, 2003

PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS
OF SPECTRE INDUSTRIES INC.
NOVEMBER 12, 2003

Spectre Industries Inc.
#6 260 East Esplanade
North Vancouver, British Columbia V7L 1A3

The accompanying Form of Proxy is solicited on behalf of the board of directors of Spectre Industries Inc., to be used at our special meeting to be held at #800-885 West Georgia Street, Vancouver, British Columbia, on November 12, 2003, at 10:00 am local time. This proxy statement, accompanying Form of Proxy and Notice of Meeting are first being mailed to shareholders on or about October 30, 2003 .

We will bear the expense of this solicitation. In addition to solicitation by use of the mails, certain of our directors, officers and regular employees may solicit the return of proxies by telephone, facsimile or other means. Requests will also be made of brokerage houses and custodians, nominees or fiduciaries to forward proxy material at our expense to the beneficial owners of stock held of record by such persons. Our transfer agent, Stalt, Inc. of 848 Tanager Street, Suite N, Incline Village, Nevada, 89451, has agreed to assist us in the tabulation of proxies and the counting of votes at our special meeting. All of a shareholder's common shares registered in the same name will be represented by one proxy.

DISPOSITION OF GRANT AUTOMOTIVE GROUP, INC.

The following description of the Agreement, dated as of December 11, 2002, and the outline of the terms of the Sale is a summary that describes the most material terms of the proposed transaction.

Summary Term Sheet

Parties	Spectre Industries Inc. with an address at #6-260 E. Esplanade, North Vancouver, British Columbia, V7L 1A3 (telephone: (604) 984-0400); and Grant Brothers Sales, Ltd. with an address at 1860 Gage Court, Mississauga, Ontario, L5S 1S1 (telephone: (905) 677-7299). For further information on the parties, refer to "The Business of Spectre Industries, Inc." below.
Asset Being Sold	All of the issued and outstanding shares of Grant Automotive Group, Inc., held by Spectre Industries Inc., to Grant Brothers Sales, Ltd. For further information on the asset to be sold, refer to "The Business of Spectre Industries, Inc." and "Background of the Sale" below.
Purchase Price	\$1.00 and 33% of Grant Automotive Group, Inc.'s net cash flow for the fiscal years 2004, 2005 and 2006. For further information on the purchase price to be paid, refer to "Special Factors" and "Terms of the Transaction" below.
Provision of Management Services	As part of the purchase price, Spectre is to provide management services to Grant Brothers Sales, Ltd. for marketing and sales representation, for which Grant Brothers Sales, Ltd. will pay Spectre four equal instalments of \$50,000 on December 31 in the years 2002, 2003, 2004 and 2005.

We anticipate that the closing will occur immediately after shareholder approval to the Sale is obtained. The Sale has already been approved by our Board of Directors, including our independent director Peter Schulz Von Siemens. Our other director, Mr. Ian Grant, who is also our President, Chief Executive Officer and one of our shareholders, is also a director and shareholder of Grant Brothers Sales, Ltd.. Mr. Grant directly holds 20% of the issued and outstanding common shares of Grant Brothers Sales, Ltd., and Grant Brothers Sales, Ltd. holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of Grant Brothers Sales, Ltd., is the cousin of Ian Grant.

Under the terms of the Agreement, it is a condition to the Sale that we obtain shareholder approval. As such, we must obtain the approval of a majority of the shareholders represented in person or by proxy at the special meeting.

WHO CAN VOTE

Only shareholders of record as of the close of business on October 24, 2003 are entitled to notice of and to vote at our special meeting. As of October 13, 2003, there were 20,878,082 common shares in the capital of our company issued and outstanding owned by approximately 100 shareholders of record. We have no other voting securities outstanding. Each shareholder of record on October 24, 2003 (the "Record Date") is entitled to one vote for each common share held.

HOW YOU CAN VOTE

Common shares cannot be voted at our special meeting unless the holder of record is present in person or by proxy. A shareholder may appoint a person to represent him/her at our special meeting by completing the enclosed Form of Proxy, which authorizes a person other than the holder of record to vote on behalf of the shareholder, and returning it to our transfer agent, Stalt, Inc., 848 Tanager Street, Suite N, Incline Village, Nevada 89451 (facsimile (775) 831-3337).

All shareholders are urged to complete, sign, date and promptly return the proxy by mail in the enclosed postage-paid envelope, or by fax, after reviewing the information contained in this proxy statement. Valid proxies will be voted at our special meeting and at any postponements or adjournments thereof as you direct in the proxy, provided that they are received by our transfer agent at least 24 hours prior to the scheduled time of the meeting, or any adjournment thereof, or deposited with the Chair of the meeting on the day of the meeting or any adjournment thereof prior to the time of voting.

The common shares represented by the proxy will be voted as directed in the proxy, but if no direction is given and the proxy is validly executed, the proxy will be voted FOR the sale of all of the issued and outstanding shares of Grant Automotive Group, Inc. to Grant Brothers Sales, Inc. If any other matters properly come before our special meeting, the persons authorized under the proxies will vote upon such other matters in accordance with their best judgement.

QUORUM

A quorum of shareholders is necessary to take action at our special meeting. A majority of the outstanding shares present in person or represented by proxy as at October 24, 2003 will constitute a quorum for the transaction of business at our special meeting. However, if a quorum is not present, a majority of the shares represented at our special meeting have the power to adjourn the meeting until a quorum is present. At any such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the original meeting. Broker non-votes occur when a nominee holding common shares for a beneficial owner of those common shares has not received voting instructions from the beneficial owner with respect to a particular matter and such nominee does not possess or choose to exercise discretionary authority with respect thereto. Broker non-votes and abstentions will be included in the determination of the number of common shares present at our special meeting for quorum purposes but will not be counted as votes cast on any matter presented at our special meeting.

YOUR VOTE IS IMPORTANT. ACCORDINGLY, YOU ARE ASKED TO MARK, DATE, SIGN AND RETURN THE ACCOMPANYING FORM OF PROXY WHETHER OR NOT YOU PLAN TO ATTEND OUR SPECIAL MEETING. IF YOU PLAN TO ATTEND OUR SPECIAL MEETING TO VOTE IN PERSON AND YOUR SHARES ARE REGISTERED WITH OUR TRANSFER AGENT (STALT, INC.) IN THE NAME OF A BROKER OR BANK, YOU MUST SECURE A PROXY FROM THE BROKER OR BANK ASSIGNING VOTING RIGHTS TO YOU FOR YOUR COMMON SHARES.

REVOCATION OF PROXIES

You may revoke your proxy at any time prior to the start of our special meeting in three ways:

1. by delivering a written notice of revocation to Ian S. Grant, the President & Chief Executive Officer of our company, at #6-260 E. Esplanade, North Vancouver, British Columbia, V7L 1A3;
2. by submitting a duly executed proxy bearing a later date; or

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3. by attending our special meeting and expressing the desire to vote your common shares in person (attendance at our special meeting will not in and of itself revoke a proxy).

DISPOSITION OF GRANT AUTOMOTIVE GROUP, INC.

Special Factors for the Disposition

There are certain risks inherent in the proposed Sale and specifically risks inherent in the manner in which we are to receive the consideration for the Sale. In addition to the considerations outlined below under "Background of the Sale" and "Recommendation of Spectre's Board of Directors", the following factors should be carefully considered by our shareholders when deciding whether or not to vote in support of our Sale of Grant Automotive Group, Inc. ("GAG") to Grant Brothers Sales, Ltd. ("GBS"):

- Mr. Ian Grant, our President, Chief Executive Officer and one of our directors and shareholders, is also a director and shareholder of GBS. Mr. Grant directly holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Given these relationships, Ian Grant is a related party in the proposed Sale to GAG to GBS and has interests that may differ from our shareholders.
- In January of 2001 we acquired GAG from GBS for \$500,000. The consideration that we are to receive for GAG is \$1.00 and 33% of GAG's net cash flow for the fiscal years 2004, 2005 and 2006. In addition, we are to provide management services to GBS for marketing and sales representation, for which GBS will pay us four equal instalments of \$50,000 on December 31 in the years 2002, 2003, 2004 and 2005. We have received the first instalment of \$50,000, which is being held in trust pending shareholder approval.
- We cannot provide any assurances that we will receive many of the payments that would be payable out of GAG's net cash flow. Even though GAG has generated positive net cash flow in previous years, this may not continue in the future. Such payments will be dependent upon the continuing operations of GAG, as managed by GBS. If we do not receive such payments, the consideration that we will receive for GAG will consist solely of the \$200,000 that we will receive from GBS for the provision of management services to GBS.
- We did not consult or retain an independent advisor, or obtain a fairness opinion, in making a determination of the fairness of the proposed Sale. As a result, while our directors are of the view that the consideration for the Sale is fair and appropriate in the circumstances, we cannot provide any assurances in this regard.
- We did not seek any other potential purchasers for GAG. As a result, a third party may have been willing to purchase GAG on more favourable terms than those proposed for the Sale.
- If we proceed with the Sale, our shareholders will experience a dilution in the book value of their shares as a result. The book value per share for the year ended December 31, 2002 was \$0.02. However, the book value per share for the same period, after having given effect to the Sale, would be \$0.01.

The Business of Spectre Industries, Inc.

For a complete description of our current business, please see "Description of Business" in our annual report on Form 10-KSB for the year ended December 31, 2002, attached hereto as Schedule C.

Through our wholly owned subsidiary, GAG, a company incorporated pursuant to the laws of the province of Ontario, we operate as a manufacturers' representative for manufacturers of products for the automotive parts after-market industry in the wholesale market within Canada. GAG acts as sales agent to wholesale distributors of after-market automotive parts. It does not sell to mass retail merchandisers that sell many products both related and unrelated to the automotive industry. At the time that we acquired GAG, we entered into a management services agreement with GBS to provide managerial, sales and office support services to GAG for a term of five years. In general, GAG is compensated by manufacturers for its services on a commission basis. In order to operate GAG, we compensate GBS

with a commission pursuant to the management services agreement.

In an effort to diversify our business operations, on September 4, 2001, we completed the acquisition a 54% interest in Auto Photo Kiosk GmbH ("APK"), a German corporation, pursuant to a partnership agreement dated January 24, 2002,

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between our company and the three other owners of APK. Under the terms of the agreement, we obtained our interest in APK in consideration for the payment of 27,000 Euros, or approximately \$23,000.

APK was incorporated on September 4, 2001 for the purposes of providing for the purchase, sale, distribution and rental or operation of automated photo kiosks and related products in major public access areas, primarily in Germany.

Effective July 13, 2002 we increased our majority interest in APK by acquiring an additional 26% of the outstanding equity in consideration for the payment of \$43,436. As a result, we now hold an 80% interest in APK.

Background of the Sale

We developed the business model for GAG during the 1998-1999 period, at which time we forecasted a strong acquisition rate of automotive agencies that were similar to GAG. However, we are of the view that this model no longer presents significant profit opportunities for Spectre. This is in large part because the rate of customer and supplier consolidation and attrition has increased since 1998 and in addition there are fewer eligible agency candidates for acquisition. Given that there are fewer such acquisition candidates, and there are fewer customers and suppliers in the automotive after-market industry, it is no longer reasonable to assume that GAG can build a viable North American sales agency network as previously forecasted. We are of the view that sales agencies are being marginalized as manufacturers consolidate. Based on the Automotive Aftermarket Industry Association ("AAIA"), the number of manufacturers sales agents registered with the AAIA has declined from 329 in June 2000 to 281 in November 2002. We have acquired only one additional agency in 2000, Bigoni-Stiner & Associates of Seattle, Washington. However, after extensive investigation and conducting due diligence on two other agencies, we have not acquired any further agencies. We believe that there are no viable agency candidates for acquisition at this time.

In addition, the slower than expected rate of adoption of electronic/on-line procurement systems has also been detrimental to GAG's ongoing profit potential. Given the foregoing factors, our expectations for any material profits from GAG was limited, and was unlikely to change in the foreseeable future.

However, we remain of the view that electronic commerce will be a viable industry in the future for the automotive after-market industry, even though the rate of adoption has been slower than previously forecasted. As a result, even if the Sale is approved, GBS will continue to joint venture directly with Spectre in the marketing and sales representation of Spectre's e-commerce initiatives such as Turbo Spark, in conjunction with DST/MacDonald. Our recent exclusive distribution agreement with DST/Macdonald for the distribution of their proprietary on-line parts procurement software product, "Turbo Spark", is a good opportunity to continue to utilize the GAG sales force in a low risk setting with potentially substantial returns. As a result, we will receive commission income on revenue earned from the sale of Turbo Spark to Canadian customers.

The preliminary discussions for the proposed sale of GAG to GBS were initiated by John Grant on behalf of GBS. Once both parties determined that a sale of GAG would be worth pursuing, our board of directors and, specifically, our independent director, Peter Schulz Von Siemens approved the proposed sale on basically the terms proposed by GBS. Ian Grant did not negotiate the Sale either on our behalf or on behalf of GBS, and Peter Schulz Von Siemens provided his approval of the Sale on the terms proposed by GBS.

We initially acquired GAG from GBS on January 1, 2000 for \$500,000 and as part of the acquisition entered into a management services agreement with GBS for the operation of GAG. We now propose to sell to GAG to GBS for \$1.00 and 33% of GAG's net cash flow for the fiscal years 2004, 2005 and 2006. In addition, we are to provide management services to GBS for marketing and sales representation, for which GBS will pay us four equal instalments of \$50,000 on December 31 in the years 2002, 2003, 2004 and 2005. We have received the first instalment of \$50,000, which is being held in trust pending shareholder approval for the Sale.

We believe that the consideration that we are to receive for the Sale of GAG to GBS, which consists of the net cash flow payments and payments for the provisions of management services as discussed above, is appropriate consideration for GAG to our Company given the following factors:

- a. GAG does not currently represent the profit opportunity that it did at the time that we acquired it, for the reasons discussed above in the first paragraph above under "Background of the Sale".

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- b. We will retain what we believe is a key source of the value of GAG, being the e-commerce initiatives that have been developed, and more specifically the Turbo Spark initiative in conjunction with DST/MacDonald.
- c. Although the net cash flow payments that we may receive are indeterminate at present, the consideration also consists of the \$200,000 that we will receive for the provision of management services to GBS.
- d. Under the current management services agreement with GBS, we only receive the first \$50,000 out of GAG's net cash flow, with the next \$100,000 being payable to GBS and the balance, if any, being distributed 47.5% to us and 52.5% to GBS. Given these revenue sharing restrictions, by having the consideration for the Sale include a portion of the net cash flow of GAG, this will not be materially different from how we are currently compensated out of GAG's net cash flow. For example, should GAG generate a net cash flow of \$200,000, under the current arrangement we would receive \$73,750, or approximately 37%. Under the proposed arrangement we would receive \$66,667, representing 33%.

We did not consult or retain an independent advisor, or obtain a fairness opinion, in making a determination of the fairness of the proposed Sale. As a result, while our directors are of the view that the consideration for the Sale is fair and appropriate in the circumstances given the factors discussed herein, we cannot provide any assurances in this regard. Further, we did not seek any other potential purchasers for GAG. As a result, a third party may have been willing to purchase GAG on more favourable terms than those proposed for the Sale.

We were of the view that GBS represented the only viable purchaser of GAG, given that GBS has operated GAG from the time that we acquired GAG, pursuant to the management services agreement discussed above, under which GBS has provided managerial, sales and office support services to GAG. Further, GAG shares the representation of certain manufacturers with GBS, as GAG is basically comprised of the traditional automotive and heavy duty parts divisions of GBS. In light of this relationship, and our contractual obligations under the management services agreement which has a term of five years, we determined that it would be unlikely that a third party would realistically express any interest in acquiring GAG.

Terms of the Transaction

On December 11, 2002, we entered into an agreement for the disposition of all of the shares of our wholly owned subsidiary, GAG to GBS pursuant to the terms of a letter agreement dated effective December 11, 2002. A condition

subsequent to the Agreement is that we receive shareholder approval for the Agreement at a meeting to be called for that purpose. We must obtain the approval of a majority of the shareholders represented in person or by proxy at the special meeting for the proposed Sale.

Under the terms of the Agreement, GBS will pay us \$1.00 for the shares of GAG. GBS has agreed to contract Spectre for four years to provide management services to GBS pursuant to the joint venture agreement for the marketing and sales representation of our e-commerce initiatives to the automotive aftermarket. GBS will pay Spectre four equal instalments of \$50,000 on December 31 in the years of 2002, 2003, 2004, 2005. We have received the first instalment of \$50,000, which is being held in trust pending shareholder approval. In addition, GBS will pay to us 33% of GAG's net cash flow and this will be distributed to us for the fiscal years of 2004, 2005, and 2006. The eligible portion of the net cash flow payment will be due on June 1.

Regulatory Approvals

Other than approval of the Sale in accordance with Section 78.565 of the Nevada Revised Statutes, there are no state or federal regulatory approvals that are required to consummate the transaction. We intend to close the transaction as promptly as possible following its approval by stockholders.

Recommendation of Spectre's Board of Directors

Our Board of Directors has unanimously approved the Sale of GAG to GBS as being in the best interests of Spectre, and recommends that our stockholders approve the transaction. Specifically, the Sale has been approved and is recommended by our independent director, Peter Schulz Von Siemens. We believe that the disposition of GAG as proposed under the terms of the Sale is fair and appropriate to our Company and our shareholders given the factors discussed above under "Background of the Sale" and the factors set forth below which we considered in support of the Sale.

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Mr. Ian Grant, our President, Chief Executive Officer and our other director and a shareholder, is also a director and shareholder of GBS. Mr. Grant directly holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Given these relationships, Ian Grant is a related party in the proposed Sale to GAG to GBS and has interests that may differ from our other shareholders.

In reaching its conclusions and recommendations, the Board considered the factors noted above under "Special Factors" and "Background of the Sale".

Some of those factors that we considered in support of the proposed Sale are:

- GAG does currently represent the profit opportunity that it did at the time that we acquired it, for the reasons discussed above under "Background of Sale", and our ability to generate profit would remain impaired by our current management services agreement with GBS.
- We will retain what we believe is a key source of the value of GAG, being the e-commerce initiatives, and specifically the Turbo Spark initiative in conjunction with DST/MacDonald.
- Although the net cash flow payments that we may receive are indeterminate at present, the consideration also consists of the \$200,000 that we will receive for the provision of management services to GBS.

- The majority of our shareholders are resident in Europe and as a result we believe that our ability to raise further funds from our shareholders in the future will be enhanced by limiting our North American operations, consisting primarily of GAG, and by instead focusing primarily on the expansion of our operations in Europe.

Some of the potentially detrimental factors that relate to the proposed Sale are:

- Mr. Ian Grant, our President, Chief Executive Officer and one of our directors and shareholders, is also a director and shareholder of GBS. Mr. Grant directly holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Given these relationships, Ian Grant is a related party in the proposed Sale to GAG to GBS and has interests that may differ from our other shareholders.
- We cannot provide any assurances that we will receive any of the payments that would be payable out of GAG's net cash flow, even though GAG has generated positive net cash flow in previous years. Such payments will be dependent upon the continuing operations of GAG, as managed by GBS. If we do not receive such payments, the consideration that we will receive for GAG will consist solely of the \$200,000 that we will receive from GBS for the provision of management services to GBS.
- We did not consult or retain an independent advisor, or obtain a fairness opinion, in making a determination of the fairness of the proposed Sale. As a result, while our directors are of the view that the consideration for the Sale is fair and appropriate in the circumstances, we cannot provide any assurances in this regard.
- We did not seek any other potential purchasers for GAG. As a result, a third party may have been willing to purchase GAG on more favourable terms than those proposed for the Sale.
- Our shareholder will experience a dilution in the book value of their shares as a result of the transaction. The book value per share for the year ended December 30, 2002 was \$0.03. However, the pro forma book value per share for the same period, after having given effect to the Sale, would be \$0.01.

The foregoing summary and discussion of the information and factors considered by our Board is not intended to list every point considered by the Board. In view of the wide variety of information and points considered, our Board did not find it practical to, and did not, assign any relative weight or importance of the factors listed above, and individual directors may have given different weight to different factors.

Accounting Treatment and Federal Income Tax Consequences

The following summarizes the material federal income tax consequences of the proposed Sale. It does not address any state or local tax consequences. Our shareholders are advised to consult with their tax advisors for a more detailed analysis of any federal, state or local tax consequences.

For U.S. federal income tax purposes, the proposed sale is not expected to result in the recognition of any gain by Spectre. There will be no immediate cash gain on the transaction since the proceeds of the Sale are payable in subsequent years. The value of the transaction is comprised of the portion of the GAG net cash flow payments that we may receive in the future, and also the value of the payments to be made by GBS to Spectre pursuant to the management services that we are to render to GBS. When we receive such income from GBS for providing the management services, the income will be subject to tax by Spectre when received. We are unable to estimate total taxes at this point due to the uncertainty of the net cash flow payments. Our cumulative net operating losses can be used to offset the amount of the taxable gain on the Sale if any, and as a result we expect to pay no federal income taxes on the Sale.

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The Sale transaction contemplated will result in no capital gain or loss for our shareholders and there is currently anticipated to be no distribution in connection with the transaction. Accordingly, the sale should not result in a taxable event under U.S. federal income tax laws for our shareholders in the U.S.

As our attached financial statements indicate, our disposition of GAG has been accounted for as a discontinued operation.

SELECTED FINANCIAL DATA

The following selected financial data for the fiscal years ended December 31, 2002, 2001 and 2000, and the six month period ended June 30, 2003 were derived from our financial statements from our annual reports on Form 10-KSB and our quarterly report on Form 10-QSB for the six month period ended June 30, 2003, copies of which are attached hereto, respectively, as Schedules B and C. In addition, unaudited financial statements for GAG for the year ended December 31, 2002 are attached as Schedule D.

Selected Financial Data

	Six month period ended	Year ended	Year ended	Year ended
	June 30,	December 31,	December 31,	December 31,
	2003	2002	2001	2000
Statement of Operations Data				
Net revenues	\$145,193	\$174,066	\$1,082,658	\$1,166,302
Net loss	\$200,999	\$654,492	\$500,938	\$2,146,575
Balance Sheet Data				
Current assets	\$147,368	\$150,177	\$486,435	\$901,237
Total assets	\$212,799	\$219,318	\$889,303	\$1,289,750
Long-term obligations	\$NIL	\$NIL	\$76,902	\$49,723
Stockholders' equity (deficit)	(\$68,364)	\$131,660	\$677,256	\$1,178,111

LOSS PER SHARE DATA

The following tabulation reflects the audited loss per share from operations both before and after giving effect to the sale and discontinued operations resulting therefrom. The information presented in this tabulation should be read in conjunction with the description of the Sale Agreement contained in this Proxy Statement and our financial statements from our annual report on Form 10-KSB and our quarterly report on Form 10-QSB for the six month period ended

June 30, 2003, copies of which are attached hereto, respectively, as Schedules B and C.

	Year Ended December 31, 2002
Basic and diluted loss per share, before discontinued operations	\$0.02
Basic and diluted loss per share, from discontinued operations	\$0.01
Total loss per share	\$0.03

BOOK VALUE PER SHARE

The following tabulation reflects the audited net book value per share of our Common Stock from operations in and the net book value per share of our Common Stock from operations after giving effect to the proposed sale. The information presented in this tabulation should be read in conjunction with the description of the Agreement contained in this Proxy Statement and our financial statements from our annual report on Form 10-KSB and our quarterly report on Form 10-QSB for the six month period ended June 30, 2003, copies of which are attached hereto, respectively, as Schedules B and C.

	Year Ended December 31, 2002
Book value per share, before discontinued operations	\$0.02
Book value per share, after discontinued operations	\$0.01

DISSENTERS RIGHTS

Under Nevada law, holders of our common stock are not entitled to dissenter's rights of appraisal with respect to the proposed Sale.

CURRENCY

Except where otherwise indicated, all dollar (\$) amounts referred to herein are expressed in U.S. dollars.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

Mr. Ian Grant, our President, Chief Executive Officer and one of our directors and shareholders, is also a director and shareholder of GBS. Mr. Grant directly holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Given these relationships, Ian Grant is a related party in the proposed Sale of GAG to GBS and has interests that may differ from our other shareholders.

The shareholdings of our directors and officers are listed below in the section entitled "Principal Shareholders and Security Ownership of Management". To our knowledge, no director has advised that he intends to oppose the Sale of GAG.

PRINCIPAL SHAREHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT

As of the Record Date, we had a total of 20,878,082 shares of common stock (\$0.001 par value per common share) issued and outstanding.

The following table sets forth, as of the Record Date, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock, as well as by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percentage of Class ⁽¹⁾
Ian S. Grant 260 East Esplanade Unit 6 North Vancouver, British Columbia Canada V7L 1A3	1,000,000	4.8%
Directors and Executive Officers as a Group	1,000,000 common shares	4.8%

(1)

Based on 20,878,082 shares of common stock issued and outstanding as of the Record Date. Except as otherwise indicated, we believe that the beneficial owners of the Common Stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent is Stalt, Inc. All completed Forms of Proxy should be returned to our registrar and transfer agent, Stalt, Inc., 848 Tanager Street, Suite N, Incline Village, NV 89451 (facsimile (775) 831-3337).

Except for the above-noted matters, our board of directors does not intend to bring any other matters before the meeting and does not know of any matters which will be brought before the meeting by others. If other matters properly come before the meeting, it is the intention of the persons named in the solicited proxy to vote the proxy on such matters in accordance with their good judgment.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, SHAREHOLDERS ARE URGED TO VOTE, DATE, SIGN AND RETURN THE ENCLOSED PROXY.

By Order of the Board of Directors

/s/ Ian S. Grant

Ian S. Grant

President and Chief Executive Officer

Dated: October 17, 2003

PROXY

<p>Special meeting of the Shareholders of SPECTRE INDUSTRIES INC. (the "Company"), to be held at #800-885 West Georgia Street, Vancouver, British Columbia, on November 12, 2003, at ten o'clock in the forenoon. This Form of Proxy is solicited on behalf of the board of directors of Spectre Industries Inc.</p>	<p>Proposals (For full details of each item, please see the enclosed Notice of Meeting and Proxy Statement).</p>				
<p>The undersigned shareholder of the Company hereby appoints</p> <p>Ian S. Grant, the President, Chief Executive Officer and a Director of the Company, or failing this person, William L. MacDonald, the Attorney for the Company, or in the place of the foregoing,</p> <p>_____ <i>(Print the Name)</i> as proxyholder for and on behalf of the shareholder with the power of substitution to attend, act and vote for and on behalf of the shareholder in respect of all matters that may properly come before the special meeting of the Shareholders of the Company and at every adjournment thereof, to the same extent and with the same powers as if the undersigned shareholder were present at the special meeting, or any adjournment thereof.</p> <p>The shareholder hereby directs the proxyholder to vote the securities of the Company registered in the name of the shareholder as</p>			<p>For</p>	<p>Against</p>	<p>Abstain</p>
	<p>1.</p>	<p>To approve the sale of all of the issued and outstanding shares of Grant Automotive Group, Inc. to Grant Brothers Sales, Ltd. for \$1.00, 33% of Grant automotive Group, Inc.'s net cash flow for the years 2004,</p>	<p>_____</p>	<p>_____</p>	<p>_____</p>

REVERSE.			
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INSTRUCTIONS FOR COMPLETION OF PROXY

1. This Proxy is solicited by the Management on behalf of the Board of Directors of the Company.

This form of proxy ("Form of Proxy") ***may not be valid unless it is signed*** by the shareholder or by his attorney duly authorized by him in writing, or, in the case of a corporation, by a duly authorized officer or representative of the Company; and ***if executed by an attorney, officer, or other duly appointed representative***, the original or a notarial copy of the Form of Proxy so empowering such person, or such other documentation in support as shall be acceptable to the Chairman of the special meeting, must accompany the Form of Proxy.

If this Form of Proxy is not dated

in the space provided, authority is hereby given by the shareholder for the proxyholder to date this proxy on the date on which it is received by Stalt, Inc.

A shareholder who wishes to attend the special meeting and vote on the proposals in person

, may do so as follows:

(a) If the shareholder is registered as such on the books of the Company

, simply register the shareholder's attendance with the scrutineers at the special meeting.

(b) If the securities of a shareholder

are ***held by a financial institution***, (i) cross off the management appointees' names and insert the shareholder's name in the blank space provided; (ii) indicate a voting choice for each proposal or, alternatively, leave the choices blank if you wish not to vote until the special meeting; and (iii) sign, date and return the Form of Proxy to the financial institution or its agent. At the special meeting, a vote will be taken on each of the proposals set out on this Form of Proxy and the shareholder's vote will be counted at that time.

A shareholder who is not able to attend the special meeting in person but wishes to vote on the proposals

, may do either of the following:

(c) To appoint one of the management appointees

named on the Form of Proxy, leave the wording appointing a nominee as is, and simply sign, date and return the Form of Proxy. Where no choice is specified by a shareholder with respect to a proposal set out on the Form of Proxy, a management appointee acting as proxyholder will vote the securities as if the shareholder had specified an affirmative vote.

(d) To appoint another person

, who need not be a shareholder of the Company, to vote according to the shareholder's instructions, cross off the management appointees' names and insert the shareholder's appointed proxyholder's name in the space provided, and then sign, date and return the Form of Proxy. Where no choice is specified by the shareholder with respect to a proposal set out on the Form of Proxy, this Form of Proxy confers discretionary authority upon the shareholder's appointed proxyholder.

The securities represented by this Form of Proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any poll

of a proposal that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly. Further, if so authorized by this Form of Proxy, the securities will be voted by the appointed proxyholder with respect to any amendments or variations of any of the proposals set out on the Form of Proxy or matters which may properly come before the special meeting as the proxyholder in its sole discretion sees fit.

If a registered shareholder has returned the Form of Proxy, *the shareholder may still attend the special meeting* and may vote in person should the shareholder later decide to do so. However, to do so, the shareholder must record his/her attendance with the scrutineers at the special meeting and revoke the Form of Proxy in writing.

To be represented at the special meeting, this Form of Proxy must be RECEIVED at the office of "STALT, INC." by mail or by fax at least 24 hours prior to the scheduled time of the special meeting or any adjournment thereof.

The mailing address of STALT, INC. is
848 Tanager Street, Suite N, Incline Village, NV, 89451, and its fax number is (775) 831-3337.

SCHEDULE "A"

December 11, 2002

The Board Of Directors
Spectre Industries, Inc.
c/o Ian Grant, Chief Executive Officer
260 East Esplanade
North Vancouver, B.C.
V7R 3C9

Dear Sirs:

This letter will serve as official notice to the Board of Spectre Industries, Inc. ("Spectre"), of Grant Brothers Sales Ltd., ("GBS") intention to offer to purchase all of the outstanding shares of Grant Automotive Group, Inc., ("GAG") effective December 28, 2002. We acknowledge that Spectre's acceptance of the offer contained herein will be subject to the approval of the Spectre shareholders.

Subject Spectre shareholder approval, the terms of the offer are:

1. GBS will acquire the shares of GAG as of December 28, 2002. for \$1.00.
2. GBS will continue to joint venture with Spectre in the marketing and sales representation of Spectre's e-commerce initiatives such as Turbo Spark, in conjunction with DST/MacDonald.
3. GBS contract Spectre to provide management services pursuant to the electronic commerce project and will pay Spectre four equal instalments of \$50,000 USD on December 28 in the years of 2002, 2003, 2004 and 2005. GBS will also pay Spectre 33% of GAG's Net Cash Flow (as defined in the Management Services Agreement) and will be distributed to Spectre for the fiscal years of 2004, 2005, and 2006. For reader clarification, net cash flow is defined as "Net profit after overhead allocations expenses" according to "GAAP" principles.

4. The first instalment payment, and the shares of GAG, will be held in trust by Spectre pending the receipt of the required shareholder approval.

5. Upon the effective date of the approval of the shareholders of Spectre, Spectre will deliver the GAG shares to GBS, duly endorsed for transfer, and will deposit the first instalment payment to its account.

6. The eligible portion of the Net Cash Flow payment will be due on June 1. The amount will be based on GBS's financial statements as reviewed by GBS's external accountants and as agreed to by Spectre's auditors

GBS is prepared to submit funds immediately upon this offer being accepted by Spectre. Please evidence your agreement to the foregoing terms by signing this letter where indicated below and delivering a signed copy to the writer.

Yours truly
/s/ John Grant

John Grant

President

Acknowledged and agreed to this 12th day of December, 2002 by:

SPECTRE INDUSTRIES, INC.

Per: /s/ Peter Schulz Von Siemens
Authorized Signatory

SCHEDULE "B"

This Form 10-KSB is the subject of a Form 12b-25

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

FORM 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 2002

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from [] to []

0-30573**Spectre Industries, Inc.**

(name of small business issuer in its charter)

Nevada

98-0226032

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

#6-260 East Esplanade
North Vancouver, British Columbia, Canada

V7L 1A3

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number

(604) 984-0400

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

Title of each class
NilName of each exchange on which registered
Nil

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

Common Stock, par value \$0.001

(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 [] 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 10-KSB. []

State Issuer's revenues for its most recent fiscal year: \$1,396,281

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days:

19,878,082 common shares at \$0.15⁽¹⁾ = \$2,981,712

(1) Average of bid and ask closing prices on May 1, 2003

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

20,878,082 common shares issued and outstanding as of May 1, 2003

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (Check one): Yes No

PART I

Item 1. Description of Business.

This annual report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "CDN\$" refer to Canadian dollars and all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report, the terms "we", "us", "our", and "Spectre" mean Spectre Industries, Inc., unless otherwise indicated.

Business Development During Last Three Years

Spectre Industries, Inc. was incorporated in the State of Nevada on May 13, 1986 under the name Abercrombie, Inc. On June 6, 1995, our name was changed to Spectre Motor Cars, Inc. We changed our name to Spectre Industries, Inc. on November 6, 1997. In December 1997, we retained the services of I.S. Grant & Company, Ltd. to assist in exploring opportunities in the automotive after-market.

In June 1998, Mr. Ian S. Grant, President of I.S. Grant & Company, was appointed to serve as our President and Director. Mr. Grant assisted us with the acquisition of our 100% owned subsidiary, Grant Automotive Group, Inc., an Ontario corporation ("GAG"), from Grant Brothers Sales, Ltd. ("GBS"). Mr. Grant was an officer, director and shareholder of both GBS and our company at the time. As part of a Management Services Agreement entered into concurrently with that transaction, GBS received an aggregate of 450,000 shares. Through his ownership interest in GBS, Mr. Grant holds a beneficial interest in those shares.

We acquired all of the shares of GAG pursuant to a Share Purchase Agreement, dated January 1, 2000, from GBS, a Canadian manufacturers' representative of automotive parts. The business of GAG consisted of GBS's traditional automotive division and heavy-duty division, consisting of the representation of approximately 53 manufacturers of parts used in the automotive after-market industry. As part of this transaction, we entered into the Management Services Agreement with GBS to provide managerial, sales and office support services to GAG for a term of five years. The Management Services Agreement provides GBS with a strong incentive to operate GAG efficiently and successfully. Further, it was clear that raising additional capital for our company would be difficult until GAG had been overseen and operated by our company for a substantial period of time.

On December 11, 2002 we entered into an agreement (the "Agreement") for the disposition of all of the shares of our wholly owned subsidiary GAG back to GBS (the "Sale"). A condition subsequent to the Agreement is that we receive shareholder approval for the Agreement at a meeting to be called for that purpose. We must obtain the

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approval of a majority of the shareholders represented in person or by proxy at the special meeting for the proposed disposition of the shares.

Our Current Business

Through GAG, we operate as a manufacturers' representative for manufacturers of products for the automotive parts after-market industry in the wholesale market within Canada. GAG acts as sales agent to wholesale distributors of after-market automotive parts. It does not sell to mass retail merchandisers that sell many products both related and unrelated to the automotive industry. GAG has expanded its representation business to include software developers who have created products directly applicable for use in this market. In general, GAG is compensated by manufacturers for its services on a commission basis.

In order to operate GAG, we compensate GBS with a commission pursuant to the Management Services Agreement. To operate our non-GAG activities, we entered into an agreement with I.S. Grant & Company whereby the services of Mr. Ian S. Grant are provided to us. These activities include the evaluation of acquisitions, ongoing corporate financing and reporting requirements, supervision of GBS's management of GAG, as well as our other activities. Mr. Grant is paid solely by I.S. Grant & Company for services rendered to us.

In an effort to diversify Spectre's business operations, on September 4, 2001, Spectre founded Auto Photo Kiosk GmbH ("APK"), a limited liability corporation under the laws of Germany, together with three other shareholders: Joachim Zweifel Euros 6,500 (13%), Gerhildt Voigtlaender Euros 6,500 (13%) and Vending Concept GmbH Euros 10,000 (20%). Spectre paid Euros 27,000 (approximately US\$24,519) for a 54% interest in APK. Pursuant to a shareholder's agreement dated July 5, 2002 (the "APK Agreement"), Spectre acquired without paying a premium, the 26% of the capital of APK for Euros 13,000 (approximately US\$12,736) from two of the four shareholders of APK, Joachim Zweifel and Gerhildt Voigtlaender, both residing in Germany. Spectre also took over two shareholder loans as part of the agreement. Each loan amounting to Euros 18,453,60 (approximately US\$18,079) for a total of Euros 36,907.20 (approximately US\$36,159), with no accumulated interest; from the selling shareholders Zweifel and Voigtlaender. Spectre now owns 80%, and Vending Concept GmbH, a Swiss corporation, continues to own the remaining 20% of the share capital of APK.

Business of APK

APK was incorporated in September 2001 as a service company to operate instant photo booths and related products, in major public access areas, primarily in Germany.

APK's existing customers are government and municipal agencies, malls and shopping centres. APK currently has 16 instant photo booths installed. The end users are individuals who go to the photo booths for photos to use in forms of personal identification (such as passports, driver's licences, personal identification, etc.) APK's photo booths produce photos using digital technology, and require no photo processing chemicals.

The locations for installation of a photo booth are made available by APK's customers who provide the locations for the photo booths. APK remunerates its customers, the location provider, through a revenue sharing arrangement of approximately 30-44% of the net revenues (gross revenues less 16% value-added-tax), generated by each installed photo booth, or alternatively through a fixed rental rate. The length of the contracts for the location rentals vary from one year (contracts with written termination three months prior to expiration) up to 10 years.

Of the 16 instant photo booths that are installed, 11 are leased from EFS Business Consult GmbH & Co. Hora OHG in Germany under two lease agreements at a price of Euros 12,271 plus 16% V.A.T. Both lease agreements have the same terms, and are for a period of 36 months with an automatic extension of an additional 24 months. The terms of the lease agreements are such that during months 1 through 36, APK pays a fixed lease payment of Euros 300 per month per machine, plus the applicable 16% V.A.T. Additionally, there is a variable lease payment component in months 1 through 36 that is payable annually, beginning December 31, 2003 (applicable for the period from August 2002 to the end of December 2003). This is an amount that is based upon net revenues less costs (i.e. sales, service & maintenance). Upon extension of the lease agreement, in months 37 through 60, APK's lease payment is completely variable. The payment will be based upon a value that is in the middle of a range, which is based upon three

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calculations: (1) 25% of the monthly net revenues per photo booth, (2) 2.5% of the purchase price (Euros 12,271 x Euros 306.78 x 24 months per machine), and (3) 4% of the purchase price (Euros 12,271 x Euros 490.84 x 24 months per machine). The lease agreements assume there will be a residual value at the end of the extension period (60 months). This is estimated to be approximately Euros 250-Euros 500 per machine.

The remaining five machines are directly owned by APK, having been purchased at a cost of Euros 14,271 plus 16% V.A.T. per booth. Of the instant photo booths that are installed, 4 are located in shopping centres and 12 are located in various city government buildings.

APK currently has only one full time employee and expects to hire more employees as required.

Significant Customers

Until the Sale of GAG is approved, we represent approximately 53 manufactures to sell to approximately 1,000 wholesale customers located in Canada. 15.8% of our sales are represented by the sales of products on behalf of one manufacturer. Of the customers to whom we sell products on behalf of manufacturers, none account for in excess of 10% of our sales.

Principal Markets for the Marketing of Our Services

The North American Automotive After-market

The automotive aftermarket is a significant sector of the United States economy. It employs 3.7 million people. This industry encompasses all products and services for light and heavy-duty vehicles after the original vehicle purchase, including replacement parts, accessories, lubricants, appearance products and service repairs, as well as the tools and equipment necessary to make the repair. The service repair market includes all parts, chemicals and accessories as well as labour required for the repair or maintenance of cars and light trucks.

The automotive aftermarket is an increasingly complex and competitive business that is undergoing profound change. Industry consolidation over the past decade has left fewer market players, while manufacturing improvements in parts quality for new vehicles has contributed to the flattening of aftermarket sales growth.

Factors Affecting the Automotive Aftermarket

Based on our experience, we believe that the state of the North American economy directly impacts the automotive aftermarket. During economic expansions, consumer demand increases for durable and non-durable goods including automotive aftermarket products. In recessionary periods, however, consumers delay vehicle purchases and postpone routine maintenance for existing vehicles, which creates falling demand for aftermarket products. During the then subsequent economic recovery, demand for aftermarket products and services increases.

Improvements in new vehicle technology and higher quality parts and components have lengthened replacement cycles and contributed to slower growth in service repair sales. According to AIA Canada, the expertise, diagnostic tools and parts necessary to repair computerized vehicles as well as closed systems used by vehicle manufacturers have led to a shortage of automotive technicians and shifted some repairs away from independent repair facilities to OEM-trained personnel at dealerships. New vehicle technology and changing population demographics such as the ageing, wealth and time constraints of the population have decreased the number of retail consumers, capable of or willing to tackle heavy repairs and contributed to a shift in light DIY repair.

Instant Photo Booth Market

Our instant photo booths and related products are installed in major public access areas in Germany.

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Employees

With the exception of our directors and officers, we have no direct employees. We are managed primarily by Ian S. Grant pursuant to the Consulting Agreement with I.S. Grant & Company dated June 1, 1998. I.S. Grant & Company is a management consulting business controlled by Mr. Grant. Under the Consulting Agreement, Mr. Grant is obligated to provide 80% of his business time to our business operations for period of 5 years.

Competition

Our competitors include other representative agencies in Canada and the United States, as well as a variety of Internet based companies. We expect competition from companies using the Internet as a marketing and distribution tool in the automotive after-market to increase in the future. Direct on-line competitors include online parts sellers and vendors of other component based products. Indirect competitors include companies who may offer component parts as an extension to their existing product lines as well as manufacturers and retail vendors of parts and accessories, including large specialty parts sellers that have significant brand awareness, sales volume and customer bases. Additionally, traditional "brick-and-mortar" companies have built e-commerce sites.

For the APK operation, according to available industry information, our largest competitor is FotoFix GmbH, a subsidiary of Photo-Me International PLC, who have approximately 1800 instant photo booth installations in the

German market.

RISK FACTORS

Much of the information included in this annual report includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other "forward-looking statements" involve various risks and uncertainties as outlined below. We caution readers of this annual report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward-looking statements". In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

There are certain risks inherent in the proposed sale of GAG and specifically risks inherent in the manner in which we are to receive the consideration for the sale.

The following factors should be carefully considered by our shareholders in regards to our Sale of Grant Automotive Group, Inc. to Grant Brothers Sales, Ltd.:

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- Mr. Ian Grant, our President, Chief Executive Officer and one of our directors and shareholders, is also a director and shareholder of GBS. Mr. Grant directly holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Given these relationships, Ian Grant is a related party in the proposed Sale to GAG to GBS and has interests that may differ from our shareholders.
- The consideration that we are to receive for GAG is \$1.00 and 33% of GAG's net cash flow for the fiscal years 2004, 2005 and 2006. In addition, we are to provide management services to GBS for marketing and sales representation, for which GBS will pay us four equal instalments of \$50,000 on December 31 in the years 2002, 2003, 2004 and 2005. We have received the first instalment of \$50,000, which is being held in trust pending shareholder approval.
- We cannot provide any assurances that we will receive any of the payments that would be payable out of GAG's net cash flow. Even though GAG has generated positive net cash flow in previous years, this may not continue in the future. Such payments will be dependent upon the continuing operations of GAG, as managed by GBS. If we do not receive such payments, the consideration that we will receive for GAG will consist solely of the \$200,000 that we will receive from GBS for the provision of management services to GBS.
- We did not consult or retain an independent advisor, or obtain a fairness opinion, in making a determination of the fairness of the proposed Sale. As a result, while our directors are of the view that the consideration for the Sale is fair and appropriate in the circumstances, we cannot provide any assurances in this regard.
- We did not seek any other potential purchasers for GAG. As a result, a third party may have been willing to purchase GAG on more favourable terms than those proposed for the Sale.

- If we proceed with the Sale, our shareholders will experience a dilution in the book value of their shares as a result.

"Penny Stock" Rules

The U.S. Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our company's securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require that a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

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Limited Operating History In Providing Services to the Automotive After-market and Instant Photo Booth Industries

On January 1, 1999 we commenced the operation of our current business in the auto-motive after market. On September 4, 2001 we commenced the operation of our current business in the instant photo booth market. As such, we have a limited operating history on which to base an evaluation of our business and prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development. Some of these risks and uncertainties relate to our ability to:

- attract and maintain a large base of manufacturers and customers;
- establish and maintain strategic alliances with manufacturers and service providers in the automotive after-market industry;
- establish and maintain relationships with key location providers for our instant photo booths;
- respond effectively to competitive and technological developments;
- build an infrastructure to support our business;
- effectively develop new and maintain existing relationships with manufacturers and service providers in the automotive after-market industry; and
- attract, retain and motivate qualified personnel.

We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so may impair our ability to capture market share and generate revenues. In addition, our operating results are dependent to a large degree upon factors outside of our control, including the general strength and viability of the automotive after-market industry and the acceptance of our instant photo booths in the German market.

Many of Our Competitors Have Greater Resources And Better Name Recognition

Many of our competitors are substantially larger than us and have significantly greater financial resources and marketing capabilities than we have, together with better name recognition. It is possible that new competitors may emerge and acquire significant market share in the automotive after-market. Competitors with superior resources and capabilities may be better able to utilize such advantages to market their services better, faster and/or cheaper than we can.

Increased competition from future or existing competitors in the instant photo booth market or automotive after-market will likely impair our ability to establish and maintain market share. If we are unsuccessful in generating and maintaining a sufficient base of manufacturers and service providers in the in the automotive after-market who utilize our services, it is unlikely that we will be able to generate sufficient revenues to sustain operations. In addition, if we are unsuccessful in establishing and maintaining a sufficient number of instant photo booths in profitable locations, it is unlikely that we will be able to generate sufficient revenues to sustain operations

We lack working capital and due to the losses incurred since inception, our stockholders' deficiencies and lack of revenues, there is substantial doubt about our ability to continue as a going concern.

There is substantial doubt about our ability to continue as a going concern due to the losses incurred since inception, our stockholders' deficiency, and lack of revenues.

We have not generated sufficient revenues to cover our operational expenses and do not anticipate doing so in the near future. If our business does not meet our intended income goals, we will require additional financing. If we are not successful in obtaining additional financing by the end of 2003, we may be required to reduce operations to a sustainable level until any such financing is obtained, or sufficient revenues are generated to sustain operations.

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There can be no assurances that additional equity or other financing will be available at all or available on terms acceptable to us.

Our ability to continue in business in part depends upon our continued ability to obtain financing. There can be no assurance that any such financing would be available upon terms and conditions acceptable to us, if at all. The inability to obtain additional financing in a sufficient amount when needed and upon acceptable terms and conditions could have a materially adverse effect upon us. Inadequate funding could impair our ability to compete in the marketplace and could result in our dissolution.

We have a history of net losses and a lack of established revenues, and as a result, we expect to incur our net losses in the future.

We have had a history of losses and expect to continue to incur losses, an may never achieve or maintain profitability. We have incurred losses since we began operations, including a total comprehensive loss of approximately \$654,716 for the year ended December 31, 2002. As of December 31, 2002 we have an accumulated deficit of approximately \$11,890,146.

Dependence Upon Relationships With Key Manufacturers

Our future success depends upon our ability represent manufacturers and service providers in the automotive after-market industry.

We have a limited number of relationships with manufacturers and service providers in the automotive after-market., and rely significantly upon the personal contacts of our President, Ian S. Grant, to maintain our existing relationships and to develop new relationships. Our success depends significantly on our ability to maintain existing relationships with these manufacturers and service providers and to build new relationships with other automotive manufacturers and service providers. We cannot ensure that we will be able to maintain such relationships or continue to obtain agreements to represent other parties in the industry.

Further, our relationships with manufacturers and service providers in the automotive after-market are nonexclusive, and many of our competitors offer, or could offer, services that are similar to or the same as the services that we offer. Such direct competition could adversely affect our business. Any inability to effectively manage our relationships with manufacturers and service providers in the automotive after-market may result in decreased potential for revenues, which could adversely affect our business.

Risk of Termination of Site Contracts

The contracts pursuant to which we place instant photo booths on site locations that are short-term, ie. one year "evergreen" contracts that are easily terminated by either party. There can be no assurance that contracts to place instant photo booths will not be terminated at any time. The termination of a contract or other arrangement with a provider of multiple sites, would significantly reduce our number of auto photo kiosk installations and limit access to prime site locations in the future. Such a termination could have a material adverse effect on our business, financial condition and results of operations.

Dependence on a Single Product; Rapid Technological Change

Going forward we will derive the majority of our revenues from the operation of our instant photo booths or instant photo kiosks. The digital technology incorporated by our instant photo booths is characterized by rapid technological change, new products and services, evolving industry standards and changing client preferences. Our success will depend, in significant part, upon our ability to make timely and cost-effective enhancements and additions to the auto photo kiosk technology and to introduce new products and services that meet customer demands. We expect new products and services to be developed and introduced by other companies that compete with our products and services. The proliferation of new digital photographic technology may reduce demand for our instant photo booths. There can be no assurance that we will be successful in responding to these or other technological changes, to evolving industry standards or to new products and services offered by our current and

future competitors. In addition, we may not have access to sufficient capital for our research and development needs in order to develop or acquire new products and services.

Disruption in Manufacturing and Repair; Inability to Manufacture or Service Instant Photo Booths

The supply, manufacture technical updates and servicing of the instant photo booths is provided exclusively by Vending Concepts GmbH. We are dependent on this one supplier for the provision, repair and servicing of the instant photo booths. Our reliance on this supplier, as well as industry supply conditions generally, subject us to various risks, including the possibility of a shortage or a lack of availability of instant photo booths, key components, quality control problems, increases in component costs and reduced control over delivery schedules, any of which could adversely affect our business and results of operations. In situations where we are unable to rectify supply or quality problems associated with our instant photo booths costly delays could result. Although we believe that our supplier has current

manufacturing capabilities to enable it to produce sufficient instant photo booths for our purposes through fiscal 2003, there can be no assurance that this will be adequate for unanticipated future growth.

Uncertain Ability To Achieve, Manage Or Sustain Growth

It may be necessary for us to grow in order to remain competitive. Our ability to grow is dependent upon a number of factors including, but not limited to, our ability to hire, train and assimilate management and other employees, the adequacy of our financial resources, our ability to identify and efficiently provide new services as may be demanded by our customers in the future and our ability to adapt our services to accommodate necessary operational changes. In addition, there can be no assurance that we will be able to achieve such expansion or that we will be able to manage expanded operations successfully. Failure to manage growth effectively and efficiently could have an adverse effect on our ability to acquire sufficient market share and remain competitive.

Dependence Upon Ian S. Grant

Our key personnel is limited at present to Ian S. Grant, our President. The loss of the services of Mr. Grant and other employees, for any reason, may have a materially adverse effect on our prospects. Although we believe that the loss of any of our management or other key employees (apart from Mr. Grant) will not have a material adverse impact upon us, there can be no assurance in this regard, nor any assurance that we will be able to find suitable replacements. In addition, competition for personnel is intense, making it difficult to find highly skilled employees with appropriate qualifications. Furthermore, we do not maintain "key man" life insurance on the lives of any of our management or other of our key employees. To the extent that the services of any key employee of ours becomes unavailable, we will be required to retain other qualified persons. However, there can be no assurance that we will be able to employ qualified persons upon acceptable terms.

Volatility Of Stock Price

The trading price of our common stock has been and may continue to be subject to wide fluctuations. Trading prices of our common stock may fluctuate in response to a number of factors, many of which are beyond our control. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many companies' stocks have recently been at historical highs and reflected price earnings ratios substantially above historical levels. There can be no assurance that such trading prices and price earnings ratios will be achieved again. These broad market and industry factors may adversely affect the market price of the common stock, regardless of our operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources.

Effect Of Shares Eligible For Public Sale

As of April 1, 2003, there were 20,878,082 common shares issued and outstanding. As of April 1, 2003, there were no shares held in escrow. Sales of a large number of shares could have an adverse effect on the market price of our common stock. Any sales by these stockholders could adversely affect the trading price of our common stock.

Insider Control Of Common Stock

As of April 1, 2003, directors and executive officers beneficially owned approximately 1,000,000 shares of our outstanding common stock. As a result, these stockholders, if they act as a group, will have a significant influence on all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Such control may have the effect of delaying or preventing a change in control.

If plans to phase-out the OTC Bulletin Board are implemented, we may not qualify for listing on the proposed Bulletin Board Exchange or any other marketplace, in which event investors may have difficulty buying and selling our securities

We understand that in 2003, subject to approval of the Securities and Exchange Commission, the NASDAQ Stock Market intends to phase-out the OTC Bulletin Board, and replace it with the "Bulletin Board Exchange" or "BBX". As proposed, the BBX will include an electronic trading system to allow order negotiation and automatic execution. The NASDAQ Stock Market has indicated its belief that the BBX will bring increased speed and reliability to trade execution, as well as improve the overall transparency of the marketplace. Specific criteria for listing on the BBX have not yet been finalized, and the BBX may provide for listing criteria which we do not meet. If the OTC Bulletin Board is phased out and we do not meet the criteria established by the BBX, there may be no market on which our securities may be included. In that event, shareholders may have difficulty reselling any of the shares they own.

Item 2. Description of Property.

We lease 1,000 square feet of office space at 260 East Esplanade Unit 6, North Vancouver British Columbia. The rent is approximately \$6,840 annually (\$570 per month). We do not own or otherwise lease any other real property. GAG operates in the space owned by GBS located at 1860 Gage Court, Mississauga, Ontario.

Item 3. Legal Proceedings.

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

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

N/A

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Our common shares are quoted on the OTC Bulletin Board under the symbol "STND". The following quotations obtained from Canada Stockwatch reflect the highs and low bids for our common stock based on inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

The high and low bid prices of our common stock for the periods indicated below are as follows:

Quarter Ended	High	Low
December 31, 2002	\$0.34	\$0.10

March 31, 2002	\$0.58	\$0.11
June 30, 2002	\$0.53	\$0.10
September 30, 2002	\$0.27	\$0.06
December 31, 2001	\$0.60	\$0.31
March 31, 2001	\$1.53	\$1.20
June 30, 2001	\$1.29	\$0.70
September 30, 2001	\$0.90	\$0.35

Our common shares are issued in registered form. Stalt Inc., 848 Tanager Street, Suite N, Incline Village, Nevada 89451 is the registrar and transfer agent for our common shares.

On April 1, 2003, the shareholders' list of our common shares showed 98 registered shareholders and 20,878,082 shares outstanding.

We have not declared any dividends since incorporation and do not anticipate that we will do so in the foreseeable future. Although there are no restrictions that limit the ability to pay dividends on our common shares, our intention is to retain future earnings for use in our operations and the expansion of our business.

Recent Sales of Unregistered Securities

None.

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section entitled "Risk Factors" beginning on page 6 of this annual report.

Our consolidated financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

DISPOSITION OF GAG

We developed the business model for GAG during the 1998-1999 period, at which time we forecasted a strong acquisition rate of automotive agencies that were similar to GAG. However, we are of the view that this model no longer presents significant profit opportunities for Spectre. This is in large part because the rate of customer and supplier consolidation and attrition has increased since 1998 and in addition there are fewer eligible agency candidates for acquisition. Given that there are fewer such acquisition candidates, and there are fewer customers and suppliers in the automotive after-market industry, it is no longer reasonable to assume that GAG can build a viable North American sales agency network as previously forecasted. We are of the view that sales agencies are being marginalized as manufacturers consolidate. Based on the Automotive Aftermarket Industry Association ("AAIA"), the number of manufacturers sales agents registered with the AAIA has declined from 329 in June 2000 to 281 in

November 2002. We have acquired only one additional agency, Bigoni-Stiner & Associates of Seattle, Washington. However, after extensive investigation and conducting due diligence on two other agencies, we have not acquired any further agencies. We believe that there are no viable agency candidates for acquisition at this time.

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In addition, the slower than expected rate of adoption of electronic/on-line procurement systems have been detrimental to GAG's ongoing profit potential. Given the foregoing factors, our expectations for any material profits from GAG were limited, and was unlikely to change in the foreseeable future.

However, we remain of the view that electronic commerce will be a viable industry in the future for the automotive after-market industry, even though the rate of adoption has been slower than previously forecasted. As a result, even if the Sale is approved, GBS will continue to joint venture directly with Spectre in the marketing and sales representation of Spectre's e-commerce initiatives such as Turbo Spark, in conjunction with DST/MacDonald. Our recent exclusive distribution agreement with DST/Macdonald for the distribution of their proprietary on-line parts procurement software product, "Turbo Spark", is a good opportunity to continue to utilize the GAG sales force in a low risk setting with potentially substantial returns. As a result, we will receive commission income on revenue earned from the sale of Turbo Spark to Canadian customers.

We initially acquired GAG from GBS on January 1, 2000 for \$500,000 and as part of the acquisition entered into a management services agreement with GBS for the operation of GAG. We now propose to sell to GAG to GBS for \$1.00 and 33% of GAG's net cash flow for the fiscal years 2004, 2005 and 2006. In addition, we are to provide management services to GBS for marketing and sales representation, for which GBS will pay us four equal instalments of \$50,000 on December 31 in the years 2002, 2003, 2004 and 2005. We have received the first instalment of \$50,000, which is being held in trust pending shareholder approval for the Sale.

We believe that the consideration that we are to receive for the Sale of GAG to GBS, which consists of the net cash flow payments and payments for the provisions of management services as discussed above, is appropriate given the following factors:

- a. GAG does currently represent the profit opportunity that it did at the time that we acquired it, for the reasons discussed above.
- b. We will retain what we believe is a key source of the value of GAG, being the e-commerce initiatives that have been developed, and more specifically the Turbo Spark initiative in conjunction with DST/MacDonald.
- c. Although the net cash flow payments that we may receive are indeterminate at present, the consideration also consists of the \$200,000 that we will receive for the provision of management services to GBS.
- d. Under the current management services agreement with GBS, we only receive the first \$50,000 out of GAG's net cash flow, with the next \$100,000 being payable to GBS and the balance, if any, being distributed 47.5% to us and 52.5% to GBS. Given these revenue sharing restrictions, by having the consideration for the Sale include a portion of the net cash flow of GAG, this will not be materially different from how we are currently compensated out of GAG's net cash flow. For example, should GAG generate a net cash flow of \$200,000, under the current arrangement we would receive \$73,750, or approximately 37%. Under the proposed arrangement we would receive \$66,667, representing 33%.

We did not consult or retain an independent advisor, or obtain a fairness opinion, in making a determination of the fairness of the proposed Sale. As a result, while our directors are of the view that the consideration for the Sale is fair and appropriate in the circumstances given the factors discussed herein, we cannot provide any assurances in this regard. Further, we did not seek any other potential purchasers for GAG. As a result, a third party may have been willing to purchase GAG on more favourable terms than those proposed for the Sale.

We were of the view that GBS represented the only viable purchaser of GAG, given that GBS has operated GAG from the time that we acquired GAG, pursuant to the management services agreement discussed above, under which GBS has provided managerial, sales and office support services to GAG. Further, GAG shares the representation of certain manufacturers with GBS, as GAG is basically comprised of the traditional automotive and heavy duty parts divisions of GBS. In light of this relationship, and our contractual obligations under the management services

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agreement which has a term of five years, we determined that it would be unlikely that a third party would realistically express any interest in acquiring GAG.

Under the terms of the Agreement, GBS will pay us \$1.00 for the shares of GAG. GBS has agreed to contract Spectre for four years to provide management services to GBS pursuant to the joint venture agreement for the marketing and sales representation of our e-commerce initiatives to the automotive aftermarket. GBS will pay Spectre four equal instalments of \$50,000 on December 31 in the years of 2002, 2003, 2004, 2005. We have received the first instalment of \$50,000, which is being held in trust pending shareholder approval. In addition, GBS will pay to us 33% of GAG's net cash flow and this will be distributed to us for the fiscal years of 2004, 2005, and 2006. The eligible portion of the net cash flow payment will be due on June 1.

Our Board of Directors has unanimously approved the Sale of GAG to GBS as being in the best interests of Spectre, and recommends that our stockholders approve the transaction. Specifically, the Sale has been approved and is recommended by our independent director, Peter Schulz Von Siemens.

Mr. Ian Grant, our President, Chief Executive Officer and our other director and a shareholder, is also a director and shareholder of GBS. Mr. Grant holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Some of those factors that we considered in support of the proposed Sale are:

- GAG does currently represent the profit opportunity that it did at the time that we acquired it, for the reasons discussed above, and our ability to generate profit would remain impaired by our current management services agreement with GBS.
- We will retain what we believe is a key source of the value of GAG, being the e-commerce initiatives, and specifically the Turbo Spark initiative in conjunction with DST/MacDonald.
- Although the net cash flow payments that we may receive are indeterminate at present, the consideration also consists of the \$200,000 that we will receive for the provision of management services to GBS.
- The majority of our shareholders are resident in Europe and as a result we believe that our ability to raise further funds from our shareholders in the future will be enhanced by limiting our North American operations, consisting primarily of GAG, and by instead focusing primarily on our operations in Europe.

Some of the potentially detrimental factors that relate to the proposed Sale are:

- Mr. Ian Grant, our President, Chief Executive Officer and one of our directors and shareholders, is also a director and shareholder of GBS. Mr. Grant holds 20% of the issued and outstanding common shares of GBS. GBS holds an aggregate of 450,000 shares of our common stock. Mr. John Grant, the President of GBS, is the cousin of Ian Grant. Given these relationships, Ian Grant is a related party in the proposed Sale to GAG to GBS and has interests that may differ from our other shareholders.
- We cannot provide any assurances that we will receive any of the payments that would be payable out of GAG's net cash flow, even though GAG has generated positive net cash flow in previous years. Such payments will be dependent upon the continuing operations of GAG, as managed by GBS. If we do not receive such payments, the consideration that we will receive for GAG will consist solely of the \$200,000 that we will receive from GBS for the provision of management services to GBS.
- We did not consult or retain an independent advisor, or obtain a fairness opinion, in making a determination of the fairness of the proposed Sale. As a result, while our directors are of the view that the consideration for the Sale is fair and appropriate in the circumstances, we cannot provide any assurances in this regard.
- We did not seek any other potential purchasers for GAG. As a result, a third party may have been willing to purchase GAG on more favourable terms than those proposed for the Sale.

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If the Sale receives shareholder approval, we will focus our business operations on APK, providing for the purchase, sale distribution and rental or operation of automated photo kiosks and related products in major public access areas primarily in Germany.

Overview

Prior to our disposition of GAG, our primary business has been acting as a manufacturers' representative for products in the automotive after-market industry through GAG, our wholly owned subsidiary. The majority of our revenues have been derived from commissions earned by GAG on the sales of such automotive products. However, for the year ended December 31, 2002, GAG has been accounted for as a discontinued operation, although the majority of our revenues for the year ended December 31, 2002 were generated through GAG. The following discussion relates both to the discontinued operations of GAG and the operations of Spectre and its other operating subsidiary, APK.

RESULTS OF OPERATIONS

Year ended December 31, 2002 and December 31, 2001

Revenues

Gross revenue for the Spectre and APK operations for the year ended December 31, 2002 was \$174,066, of which \$50,000 is revenue generated as a result of the provision of management services to GBS arising from the disposition of our subsidiary GAG, compared to \$3,158 for the year ended December 31, 2001. The increase was primarily as a result of increasing our ownership interest in APK and having more instant photo booths installed and operating.

The operations of GAG have been accounted for as discontinued operations. Gross revenue for GAG for the year ended December 21, 2001 was \$1,222,215 compared to \$1,079,500 for the year ended December 21, 2001.

Expenses

General and administrative expenses attributable to Spectre and APK were \$238,650 for the year ended December 31, 2002 and \$258,687 for the year ended December 31, 2001. The increase in expenses was as a result of higher operating costs associated with APK due to additional expenses associated with the expansion of the APK operations. Costs of sales for Spectre and APK increased to \$87,567 for the year ended December 31, 2002, as compared to \$4,235 for the year ended December 21, 2001. This increase in costs of sales was as a result of our acquisition of more automated photo booths.

General and administrative expenses attributable to the discontinued operations of GAG were \$186,302 for the year ended December 31, 2002 and \$70,086 for the year ended December 31, 2001. The increase in expenses was as a result of higher technical support costs for GAG's line of automotive digital testing equipment. Costs of sales for GAG increased to \$1,024,664 for the year ended December 31, 2002, as compared to \$969,172 for the year ended December 21, 2001, although the gross margin increased from \$110,328 for the year ended December 21, 2001 to \$197,551 for the year ended December 21, 2002. The increase in costs of sales was as a result of marginally increased sales of automotive after-market products during the period.

LIQUIDITY AND CAPITAL RESOURCES

Year ended December 31, 2002

We had an accumulated deficit at December 31, 2002 of \$11,890,146. Our net loss for the year ended December 31, 2002 was \$654,492, compared to \$500,938 for the year ended December 31, 2001. The increase in the net loss is primarily attributable to the loss from the disposal of our subsidiary GAG of \$263,361, which is primarily comprised of the one time write off of the good will associated with GAG given its disposition. For the year ended December

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31, 2001 the discontinued operations of GAG generated a net income of \$37,355, as compared to net income of \$4,733 for the year ended December 31, 2002.

Financing activities for the year ended December 31, 2002 consisted of proceeds of \$99,974 from the issuance of shares of common stock. We did not receive any proceeds from financing activities for the year ended December 31, 2001.

During the year ended December 31, 2002, our principal capital requirements have been the funding of continued operations. Our net cash used in operating activities for the year ended December 31, 2002 was (\$385,914) compared to net cash used in operating activities of (\$413,309) for the year ended December 31, 2001. Our cash position at December 31, 2002 was \$51,433 compared to \$337,336 at December 31, 2001. The decrease was due to accounting for the disposition of GAG. At December 31, 2002 we owe notes payable to related parties totalling \$17,152, which are due on December 31, 2003.

GBS has agreed to contract Spectre for four years to provide management services to GBS pursuant to the joint venture agreement for the marketing and sales representation of our e-commerce initiatives to the automotive aftermarket. GBS will pay Spectre four equal instalments of \$50,000 on December 31 in the years 2002, 2003, 2004 and 2005. The first payment of \$50,000 is being held in trust pending shareholder approval for the sale of GAG. This payment has been accounted for as consulting revenue received from a related party. In addition, GBS will pay to us 33% of GAG's net cash flow and this will be distributed to us for the fiscal years of 2004, 2005 and 2006. The eligible portion of the net cash flow payment will be due on June 1. GBS will reimburse us for \$32,683 in payments that we have made to Bigoni-Stiner on behalf of our subsidiary GAG, as part of the sale of GAG to GBS. This receivable will bear interest at 6% and will be due on demand.

Our capital requirements are difficult to plan in light of the pending and proposed sale of GAG and our current strategy to expand our customer base for the automated photo booth operations of APK. Since our inception, we have been dependent on investment capital as an important source of liquidity. Our operations presently are generating negative cash flow, and we do not expect positive cash flow from operations in the near term. We need to secure additional working capital in the short-term in order to sustain our operations and execute our business plan. It is our intention to raise sufficient funds necessary to carry our company through to positive cash flow and profitability. Management projects that we may require an additional \$200,000 to \$250,000 to help fund our ongoing operating expenses and working capital requirements for the next twelve months.

There are no assurances that we will be able to obtain further funds required for our continued operations. We are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due.

Future Operations

We have suffered recurring losses from operations. The continuation of our company as a going concern is dependent upon our company attaining and maintaining profitable operations and raising additional capital. Management's plans in this regard is to raise additional capital through an equity offering. The financial statements do not include any adjustment relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should our company discontinue operations.

Due to the uncertainty of our ability to meet our current operating and capital expenses noted above, in their report on the annual consolidated financial statements of or the year ended December 31, 2002, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our consolidated financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further financi