GroveWare Technologies Ltd.
Form 10-Q
December 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2012**

[ ] Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission File Number: **000-54760**

GroveWare Technologies Ltd.

(Exact name of registrant as specified in its charter)

Nevada	26-1265381
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1006 - 20 Eglinton Ave. W.

Toronto, Ontario,

Canada M4R 1K8
(Address of principal executive offices)

(416) 644-5111
(Registrant's telephone number)

____

(Former name, former address and former fiscal year, if changed since last report)

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

[X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

[ ] Large accelerated filer Accelerated filer [ ] Non-accelerated filer
[X] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 61,500,000 as of December 6, 2012.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our consolidated financial statements included in this Form 10-Q are as follows:

These condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2012 are not necessarily indicative of the results that can be expected for the full year.

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GROVEWARE TECHNOLOGIES, LTD.

Condensed Balance Sheets

ASSETS	September 30, 2012 (Unaudited)	December 31, 2011
CURRENT ASSETS		
Cash	$12,728	$89
Accounts receivable, net	59,356	5,553
Other current assets	—	5,500
Total Current Assets	72,084	11,142
TOTAL ASSETS	$72,084	$11,142
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$41,912	$32,669
Accounts payable - related parties	128,590	60,000
Sales tax payable	15,732	9,845
Deferred income	26,494	12,317
Royalty payable - related parties	86,379	53,888
Note payable - related party	192,032	92,970
Notes payable	243,742	206,548
Convertible debt, net of discount	115,788	—
Total Current Liabilities	850,669	468,237
STOCKHOLDERS' EQUITY DEFICIT		
Preferred stock: 50,000,000 shares authorized, $0.001 par value, -0- shares issued and outstanding	—	—
Common stock: 90,000,000 shares authorized, $0.001 par value, 61,500,000 and 40,000,000 shares issued and outstanding, respectively	61,500	40,000
Additional paid-in capital	(24,000)	(40,000)
Accumulated deficit	(816,085)	(457,095)
Total Stockholders' Deficit	(778,585)	(457,095)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$72,084	$11,142

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

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GROVEWARE TECHNOLOGIES, LTD.

Condensed Statements of Operations

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUES	$87,370	$100,140	$158,459	$117,570
OPERATING EXPENSES				
Professional fees	19,389	40,101	25,869	47,699
Rent	11,407	11,641	34,351	35,986
General and administrative	160,307	156,529	394,676	234,105
Total Operating Expenses	191,103	208,271	454,896	317,790
LOSS FROM OPERATIONS	(103,733)	(108,131)	(296,437)	(200,220)
OTHER EXPENSES				
Interest expense	(21,504)	(44,179)	(62,553)	(44,291)
Total Other Expenses	20,408	(44,179)	(62,553)	(44,291)
NET LOSS BEFORE TAXES	(83,325)	(152,310)	(358,990)	(244,511)
Income taxes	—	—	—	—
NET LOSS	$(83,325)	$(152,310)	$(358,990)	$(244,511)
BASIC AND DILUTED LOSS PER SHARE	$(0.00)	$(0.00)	$(0.01)	$(0.01)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	61,500,000	40,000,000	53,939,560	40,000,000

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

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GROVEWARE TECHNOLOGIES, LTD.

Condensed Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended September 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(358,990)	$(244,511)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of discount on convertible note	3,288	—
Company expenses paid by related-party	240,155	—
Interest on note payable	57,194	—
Changes to operating assets and liabilities:		
Accounts receivable	(53,803)	(123,369)
Prepaid expenses	5,500	—
Related-party receivables	—	87,105
Accounts payable and accrued expenses	9,243	(280)
Accounts payable - related parties	68,590	18,517
Sales tax payable	5,887	(2,395)
Royalties payable - related parties	32,491	40,416
Deferred income	14,177	125,684
Net Cash Provided (Used) in Operating Activities	23,732	(98,833)
CASH FLOWS FROM INVESTING ACTIVITIES	—	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible debt	150,000	—
Proceeds from note payable - related party	28,818	—
Repayments of note payable - related party	(169,911)	—
Repayment of factoring line	(20,000)	(36,900)
Proceeds from factoring line	—	152,436
Net Cash Provided (Used) by Financing Activities	(11,093)	115,536
NET INCREASE IN CASH	12,639	16,703
CASH AT BEGINNING OF PERIOD	89	23
CASH AT END OF PERIOD	$12,728	$16,726

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

CASH PAID FOR:		
Interest		—
Income Taxes	$—	$—
NON-CASH FINANCING ACTIVITIES:		
Recapitalization	$61,490	$—
Beneficial conversion feature	$37,500	$—

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

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GROVEWARE TECHNOLOGIES, LTD.

Notes to Condensed Financial Statements

September 30, 2012 and December 31, 2011

NOTE 1 – CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at September 30, 2012, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2011 audited financial statements. The results of operations for the period ended September 30, 2012 and 2011 are not necessarily indicative of the operating results for the full year.

NOTE 2 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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GROVEWARE TECHNOLOGIES, LTD.

Notes to Condensed Financial Statements

September 30, 2012 and December 31, 2011

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company's financial position or statements.

Accounts Receivable

The Company's accounts receivable are presented net of the allowance for estimated doubtful accounts. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines the allowance for doubtful accounts based upon historical write-off experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a regular basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The Company's accounts receivable, net of the allowance for doubtful accounts, was $59,356 and $5,553 at September 30, 2012 and December 31, 2011, respectively.

Basic and Diluted Net Loss per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings per Share*. ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of September 30, 2012 and December 31, 2011, the Company did not have any potentially dilutive shares.

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GROVEWARE TECHNOLOGIES, LTD.

Notes to Condensed Financial Statements

September 30, 2012 and December 31, 2011

NOTE 4 – RELATED-PARTY PAYABLES

Accounts Payable – At September 30, 2012 and December 31, 2011 the Company had trade accounts payable due to related parties in the amount of $128,590 and $60,000, respectively.

Royalties Payable - The Company accrues a royalty equal to 20% of net revenues for the license of its technology. This royalty is due to a related party. Total royalties payable to related parties at September 30, 2012 and December 31, 2011 was $86,379 and $53,888, respectively.

Other Payables - Since its inception in 2008 the Company has transacted a significant amount of business with various closely related-party entities, whereby expenses were paid on behalf of the Company, cash was transferred to the Company, services were provided for the Company, and various other resources were provided to the Company. These transactions have been recorded as related-party payables. During the nine-month period ended September 30, 2012, the Company had $240,155 in expenses paid on its behalf by a related party, received $28,818 in cash from related parties, and made payments to related parties totaling $169,911. The outstanding balances of related-party payables totaled $192,032 and $92,970 as of September 30, 2012 and December 31, 2011, respectively.

NOTE 5 – CONVERTIBLE NOTES PAYABLE

$150,000 Convertible Note

On July 27, 2012 the Company borrowed $150,000 from an unrelated third party entity in the form of a convertible note, The note bears interest at a rate of 10.0 percent per annum, with principal and interest due in full on July 27, 2015. Accrued interest payable on the note totaled $2,671 at September 30, 2012.

The principal balance of the note along with accrued interest is convertible at any time, at the option of the note holder, into the Company's common stock at a price of 20 percent below the market price on the date of conversion. The market price is defined as the average of the lowest three trading prices for the common stock during the five-day period on the most recent complete trading day prior to the conversion date.

Pursuant to this conversion feature, the Company recognized a discount on convertible debt in the amount of $37,500 on the note date. As of September 30, 2012 the Company had amortized $3,288 of the debt discount to interest expense, leaving $34,212 in unamortized debt discount at September 30, 2012.

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GROVEWARE TECHNOLOGIES, LTD.

Notes to Condensed Financial Statements

September 30, 2012 and December 31, 2011

NOTE 6 – COMMON STOCK

On April 6, 2012, the Company, entered into an Agreement and Plan of Merger (the "Merger Agreement") with GroveWare Technologies Ltd., a privately held Delaware corporation ("GroveWare") and ePhoto Acquisition Corp., a Nevada corporation and wholly-owned subsidiary of the Company ("Acquisition Sub"), pursuant to which GroveWare merged with and into Acquisition Sub (the "Merger") with the filing of the Articles of Merger with the Nevada Secretary of State on April 9, 2012 and became a wholly-owned subsidiary of the Company. In accordance with the terms of the Merger Agreement, at the closing an aggregate of 21,500,000 (post-split) shares of the Company's common stock were issued to the holders of GroveWare's common stock in exchange for their shares of GroveWare. Immediately following the closing of the Merger Agreement, under the terms of an Assignment of Assets Agreement (the "Assignment Agreement"), the Company transferred all of its pre-merger assets and liabilities (the "Split-Off") to its former officer and director, Yong Feng Sara Yi, and shareholder, Namuun Ganbaatar, in exchange for certain indemnifications, waivers and releases, along with the cancellation of an aggregate of 5,600,000 pre-split shares of the Company's common stock and the cancellation of related party loans in the amount of $39,154.

NOTE 7 – SIGNIFICANT EVENTS

Amendments to Articles of Incorporation

On May 14, 2012, with the unanimous consent of the board of directors, the Company changed its fiscal year-end from April 30 to December 31, the fiscal year-end of GroveWare Technologies Ltd., the company acquired by reverse merger on April 6, 2012. In addition, on May 14, 2012 a majority shareholder and the board of directors approved an amendment to the Articles of Incorporation for the purpose of changing the Company's name to "GroveWare Technologies Ltd." and to increase the total authorized shares from 100,000,000 to 500,000,000 shares.

Fifty-for-One Stock-Split

Concurrently with the name change and increase in authorized stock described above, the board of directors approved a forward split of the Company's common stock whereby each shareholder was issued fifty shares of common stock in exchange for each share of their currently issued common stock. All references to common stock in the accompanying financial statements and footnotes have been retroactively restated so as to incorporate the effect of this stock-split transaction.

One-for-Five Reverse Stock-Split

On September 28, 2012, the Company's board of directors resolved to decrease the number of authorized shares of common stock, par value $0.001, from 450,000,000 to 50,000,000. Correspondingly, the Company's board of directors affirmed a reverse-split of the Company's common stock on a one-share-for-five-shares basis in which each shareholder was issued one share of common stock in exchange for five shares of their currently issued common stock. Immediately prior to this reverse-split transaction the Company had 307,500,000 shares of common stock issued and outstanding. Immediately after the reverse-split transaction the Company had 61,500,000 shares of common stock issued and outstanding. All references to common stock in the accompanying financial statements and footnotes have been retroactively restated so as to incorporate the effect of this stock-split transaction.

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GROVEWARE TECHNOLOGIES, LTD.

Notes to Condensed Financial Statements

September 30, 2012 and December 31, 2011

NOTE 7 – SIGNIFICANT EVENTS (Continued)

Designation of Class A Convertible Preferred Stock

On August 2, 2012, the Company filed a Certificate of Designation with the Secretary of State of the State of Nevada to create a class of preferred stock designated as "Class A Convertible Preferred Stock." The Class A Convertible Preferred Stock consists of 10,000,000 shares of the 50,000,000 authorized shares of the Company's preferred stock, has super voting rights of 100 votes for each share held of record on all matters submitted to a vote of holders of the Company's common stock, including the election of directors, and converts into shares of the Company's common stock at a conversion rate of one share of common stock for every one share of Class A Convertible Preferred Stock.

NOTE 8 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company's management has reviewed all material events and there are no additional material subsequent events to report.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Overview

The modern world of communications technology is an arena of constant and rapid evolution. There is no greater evidence of this change than in the accelerating adoption of sophisticated wireless devices to streamline and facilitate the exchange of voice and data communication. Over the past two decades, we have witnessed the successive introduction of hardwired cellular phones, handheld "dumbphones", the handheld Palm™ computers and then a revolution with the advent of the BlackBerry® smartphone followed by the iPhone® and a myriad of similar devices utilizing the Android™ smartphone platform developed by Google©. During the last few years, we have seen the emergence and incredible growth of tablet technologies led by Apple's iPad®, Research in Motion's Playbook™, and a variety of tablet devices utilizing the Android™ and Windows Mobile™ mobile operating systems.

Wireless devices are changing how people communicate and exchange information. The wireless revolution has brought about monumental changes to global politics, to the scale and complexity of social interaction, to the accessibility of information and has simplified consumer transactions such as banking, advertising and the buying and selling of goods and services.

Smartphone and wireless tablet devices are now being discovered by business and government as transformational tools for the collection, transfer and utilization of information and for streamlining business-to-business (B2B) transactions. The adoption of wireless technologies, and in particular of wireless tablet devices, is expected to far exceed the use of conventional PC's over the next five years.

It is in this rapidly changing business environment that GroveWare has positioned itself. GroveWare's products are uniquely suited to helping companies, governments and institutions gather and exchange data. In an environment where all commercial and government entities are seeking to find cost-saving and efficiency-gaining productivity tools, the increasingly sophisticated smartphone and tablet hardware can now be paired with GroveWare's software to generate productivity enhancements on a level not seen since the advent of micro-computers over 30 years ago.

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GroveWare provides Commercial Off-the Shelf–based (COTS) SmartForm, advanced workflow technology and mobile solutions for automating and mobilizing business processes at the enterprise level. Such technology greatly helps organizations to move away from “paper-based” operations to smart, dynamic, mobile electronic “e-forms,” thus enabling enterprises to achieve operational efficiencies by extending their enterprise ERP functions from the “back office” to a “field application” seamlessly.

Our company specializes in the rapidly-growing Mobile Business Process Management (BPM) marketplace. It has developed an advanced e-form-centric mobile application, “MobiTask™” for all of the mainstream wireless operating systems used by smartphones and tablets such as: Apple iOS®, Android™, BlackBerry® and Windows™. GroveWare’s MobiTask™ is a single platform application compatible with all wireless devices such as: iPhone®, iPad®, Samsung Galaxy®, BlackBerry® Playbook™, etc. and employs a powerful core technology that has helped our company to become a leader in the field of “Rapid Mobile Application Development” for enterprises.

GroveWare believes it is uniquely positioned to take advantage of the transformation that is currently taking place in the enterprise space, i.e. the massive shift from laptops to wireless tablets devices and the rush to develop productivity applications for enterprise use.

GroveWare’s eXFORMA™ middleware and MobiTask™ client applications are at the heart of the solution offered. It is a process automation platform that can be configured to dynamically capture data utilizing web-based forms integrated with a sophisticated workflow engine. The application is delivered on thin client mobile devices. The system resides on numerous industry-standard back-end databases and is supported by flexible reporting capabilities.

Over the past six months, and by working closely with its channel partners, most specifically, Verizon Wireless (VZ), GroveWare has enjoyed tremendous success in over two dozen pilot projects with several federal, state and local government departments and agencies and a wide selection of large and small businesses in the construction, property management, logistics, engineering, education, healthcare and transportation sectors. Virtually all of these pilots are now progressing to full deployment and management is confident that it will be able to convert these projects into a significant stream of revenue during the Q4 of this year and in 2013.

Results of Operations for the Three and Nine Months Ended September 30, 2012 and 2011

Revenues

We generated $87,370 in revenues for the three months ended September 30, 2012, as compared with $100,140 for the three months ended September 30, 2011. We generated $158,459 in revenues for the nine months ended September 30, 2012, as compared with $117,570 for the nine months ended September 30, 2011.

Our revenues for all periods resulted primarily from the provision of professional services and user subscriptions to smaller enterprises and from proof-of-concept and trial installations with several state and federal government agencies.

As the company more fully implements its sales and marketing plan during the first half of 2013, we expect that our business model will generate revenue from four primary sources:

1. License Sales - eXFORMA BPM Server and MTM Server license as well as per seat licenses for MobiTask, eXFORMA and MTM.

License fees are expected to be generated from traditional, paid-up software licenses primarily sold as a result of referral from non-carrier partners and from leads generated by our inside sales team. Software license fee revenue is projected to grow from $25,000 in 2012 to $390,000 by 2015. The average enterprise software license fee for eXFORMA is $49,000 per server installation. MTM is sold as a combination server component and per user license. The average server cost is $8,000 per implementation and $120-$150 perpetual license per MobiTask seat.

2. License Subscription Sales – Primarily through the carrier channel, annual and multi-year subscriptions provide us with recurring revenue based on a monthly per user fee.

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During the next twelve months, the U.S. outbound Business Development Managers will primarily support and develop leads initiated or referred through the carrier relationship, initially Verizon Wireless, but anticipated to expand to the other major U.S. carriers and wireless hardware providers. Monthly software license fees are targeted at $19.99 to $24.99 per user based on a two year subscription. We are currently negotiating with Verizon to have these fees collected by the carrier together with its other wireless charges and remitted to us monthly en masse. Initially, we expect monthly subscription sales to be minimal, with the hope of $2,000 monthly by the end of Q4 of 2013.

Gross revenues from carrier channel subscription sales are projected to grow rapidly to $2.6 million in 2013 and increasing to in excess of $11.4 million by 2015. Management believes that these numbers are very conservative given the size of the carriers' enterprise customer base and the overall market potential.

3. Support Fees - Annual recurring revenue from maintenance, subscription fees, seat upgrades and product support services.

Recurring revenue is expected to be generated from annual technical support and maintenance fees (including seat upgrade fees) and service fees. Recurring revenue from these sources is projected to grow from $15,000 in 2012 to slightly less than $80,000 by 2015. Technical Support and Maintenance fees will apply to the traditional paid-up licenses, calculated at a rate of 20% of the license fees. The subscription fees will apply to the hosted model and will be earned based on the number of seats. Over the course of time it is expected that customers will increase the number of end-users (seats) within their organizations, purchasing incremental subscriptions or seat licenses.

4. Professional Service Fees - For customization, configuration, development and deployment in support of eXFORMA BPM, MTM and MobiTask.

Service fees include services provided directly to end-user organizations and to channel partners primarily for implementation services and ongoing consulting services. Due to the nature of the BPM market initial implementation often requires considerable professional services and service revenue will be approximately equal to 10%-15% of license fees revenue. The type of services provided will include business analysis, design and implementation, as MobiTask, eXFORMA and MTM will be implemented to interact with enterprise applications and to meet specific task requests of the customer. Although paid for by the customer, the IP associated with each customization of the platform remains with us and is available for resale to other clients significantly reducing the direct cost to us of future product development.

Professional Service revenue is expected to increase commensurate with software sales growing from $105,000 in 2012 to in excess of $7.6 million by 2015. We consider service delivery to be an important component to our success and with every success we will be adding a new stream of future revenue as clients consider expanding the use of the technology to other areas of their organizations.

Management anticipates total revenues of $265,000 in 2012 and with successful funding initiatives and sound execution of our business plan, these revenues will increase to $19.4 million by 2015.

Revenue Mix

During 2012, we expect that 52.8% of revenue will be generated through direct sales, technical support and professional services billings, while 47.2% of revenue will result from subscription sales primarily through the Verizon partnership. By the end of 2015, carrier-based subscription sales as a percentage of total revenue are projected to level out to the 60% range.

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Expenses

We incurred $191,103 in operating expenses for the three months ended September 30, 2012, as compared with operating expenses of $208,271 for the three months ended September 30, 2011. Our general and administrative expenses were $160,307 for the three months ended September 30, 2012, as compared with general and administrative expenses of $156,529 for the three months ended September 30, 2011.

We incurred $454,896 in operating expenses for the nine months ended September 30, 2012, as compared with operating expenses of $317,790 for the nine months ended September 30, 2011. Our general and administrative expenses were $394,676 for the nine months ended September 30, 2012, as compared with general and administrative expenses of $234,105 for the nine months ended September 30, 2011.

We incurred $21,504 in interest expenses for the three months ended September 30, 2012, as compared with $44,179 for the three months ended September 30, 2011. We incurred $62,553 in interest expenses for the nine months ended September 30, 2012, as compared with $44,291 for the nine months ended September 30, 2011.

As a result of our channel partner distribution strategy, the business model is highly leveraged. Therefore, we expect to maintain a low level of fixed corporate overhead leading to projections of breakeven profitability beginning in Q2 - 2013.

Cost of Service/Sales

The cost of service/sales expense is associated with delivery of a sales unit, including direct labor cost associated with the delivery of implementation and consulting services provided directly to end-users or to distribution partners and sales commissions. The cost of service/sales is projected to be approximately 6% of total revenue.

Sales and Marketing

Sales and marketing expenses include the costs to market products and to manage and support the channel partners and direct sales team. Initially in 2012, this includes staffing to recruit distribution partners. Subsequently, staffing grows to provide adequate support, service and account management services. Sales and marketing expenses also include expenses to recruit distribution partners as well as costs for product promotion. Sales and marketing expenses, exclusive of commissions, are expected to be approximately 29% of total revenue in 2012 but declining to 7.5% by 2015 as revenue increases and more normative cost-efficiencies are experienced.

We expect that sales staff at the end of Q1 - 2013 will include only the newly-engaged VP of Sales, three regional sales reps (focused on the Verizon relationship) for the Northeast, Western and Central U.S. one inside sales rep and one sales support person, the latter two both based in Toronto. We further expect the sales roster to expand to eight by the end of 2013 and the complement will be adjusted gradually as dictated by revenue growth.

Product Development, R&D and Technical Support

Product development expense primarily includes the costs of direct in-house labor associated with the staffing requirement for development, maintenance and upgrades of the software product. Product development expenses are expected to approximately average 21% of total revenue in 2012, but will rapidly decline to 5% by 2015 as revenue increases and more normative cost-efficiencies are experienced.

General and Administrative (G&A)

The general and administrative costs represent the labor expense of corporate support staff of both fixed and semi-variable natures, which will increase with additional product sales. G&A also includes other items such as recruitment and insurance costs associated with our growth. General and administrative expenses are projected to be approximately 49% of total revenue in 2012 but again declining rapidly to 6.5% by 2015 as revenue increases and more normative cost-efficiencies are experienced.

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Royalties

We have acquired an exclusive license from GroveWare Technologies Inc. to market and support MobiTask, eXFORMA, eXFORMA BPM SUITE and MTM throughout the United States. We are also permitted under the license to further develop and improve these and other product offerings to U.S. customers.

As compensation for these exclusive marketing and development rights, we currently pay a royalty equal to 20% of all revenue generated from the sale of the licensed products. The terms of the royalty arrangement are detailed in an Exclusive Software Master License Agreement executed between the parties on December 31, 2009.

The Master License Agreement is currently under renegotiation and the attached projections assume that the royalty rate will be reduced to 15% of revenue and will be levied only on revenue generated from the sales of software licenses and subscriptions and will no longer include professional services and technical support revenue. As well, royalties will be paid as subscription revenue is recognized on our books.

Depreciation and Amortization

These expenses include depreciation of general office equipment and computer equipment, based on estimated useful lives of five years for furniture and office equipment, and three years for computer related equipment. We have capitalized the costs associated with the development of the software product but not the costs to enhance the existing product.

Earnings

We had a net loss of $83,325 for the three months ended September 30, 2012, as compared with a net loss of $152,310 for the three months ended September 30, 2011. We had a net loss of $358,990 for the nine months ended September 30, 2012, as compared with a net loss of $244,511 for the nine months ended September 30, 2011.

As with most enterprise software sales, gross margins are very attractive at 72%. We expect that EBITDA margins will be negative through the end of 2012, but are projected to increase from 28.4% in 2013 to a very favorable 57% by 2015. We further expect net earnings before taxes will increase from a loss of $360,000 in 2012 to a pre-tax profit of over $10.7 million by 2015, primarily because of increasing sales over moderating expense levels.

The break-even monthly sales level of $350,000 are forecast for Q1 of 2013 with cash flows becoming positive at sales levels of less than $400,000, expected to be achieved in early Q2 of 2013.

We are projecting a pre-tax loss in 2012 because of the late Q4 closing of the company's re-financing and the subsequent ramp of sales activity with a rapid increase of pre-tax earnings in 2013 and 2014 to $1.4 million and $6.4 million respectively.

An assumed moderate 25% growth rate in 2015 and 2016 may result in projected recognized revenues of $19.4 and $23.4 million with pre-tax earnings of $10.7 and $13.7 million, respectively.

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Liquidity and Capital Resources

We had $72,084 in current assets and $850,669 in current liabilities as of September 30, 2012. We therefore had a working capital deficit of $778,585.

Operating activities provided $23,732 for the nine months ended September 30, 2012. Our net loss of $358,990 and accounts receivable of $53,803 accounted for our negative operating cash flow, offset primarily by company expenses paid by related parties in the amount of $240,155, related party accounts payable of $68,590, interest on notes payable of $57,194, and related party royalties payable of $32,491.

Operating activities used $11,093 the nine months ended September 30, 2012. We received proceeds of $28,818 from related parties and proceeds of $150,000 from convertible debt, but made repayments of $169,911 for related party payables and $20,000 for a factoring line, which accounted for our negative financing activity.

Loans and Debt Service

We have no existing bank debt. At September 30, 2012, $243,742 was owed to a factoring company. We are currently seeking an investment of a minimum of $2,000,000 either in the form of subordinated debt or through the issue of common or preferred equity.

Capital Requirements: 2012-2013

We are seeking to raise an additional $2.0 - $5.0 million in capital. Management is currently in discussions with several potential funding sources and is optimistic that a transaction can be concluded prior to the end of Q4 2012.

Operating expenses before interest is expected to gradually increase, based on the sales growth and related support requirements, to approximately $ 325,000 per month by the end of Q2 2013. Initial pro forma profits beginning in Q1 2013 and cash flow breakeven occurs in Q2 2013.

The proceeds of our capital raise will be used primarily to fund additional market development, sales & marketing & services staffing, product enhancement and new development, receivable funding, G&A and to reduce debt obligations.

We are projecting to be cash flow positive in Q2 2013. However, to give further assurance of adequate growth capital, we will explore the financing of our accounts receivable, securing an additional bank line of credit or a capital lease line to assist with funding its monthly cash flow fluctuations and other working capital requirements.

The revenue projections are based on the best conservative estimate of management. While market acceptance and pricing are not likely to present any material challenges to revenue growth, sales cycles within the enterprise and institutional sectors tend to be less predictable and timing of sales growth may ultimately be slower or faster than forecast. As a result, cash flow projections may be negatively or positively impacted. The investment capital currently being solicited will be adequate to meet any interim cash flow shortfalls if the ramp-up of revenue is slower than projected or to fund more rapid growth if revenue growth is accelerated.

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Cancellation of Shares

On August 2, 2012, in a Current Report on Form 8-K, we reported the issuance of 4,500,000 shares of common stock and an option to purchase 1,000,000 shares of Class A Convertible Preferred Stock to our officers and directors. These shares have been cancelled and returned to treasury.

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Future Financings

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 of the Securities Exchange Act of 1934, our principal executive officer and principal financial officer evaluated our company's disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of the end of the period covered by this report, these disclosure controls and procedures were not effective to ensure that the information required to be disclosed by our company in reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission and to ensure that such information is accumulated and communicated to our company's management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The conclusion that our disclosure controls and procedures were not effective was due to the presence of the following material weaknesses in internal control over financial reporting which are indicative of many small companies with small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both United States generally accepted accounting principles and Securities and Exchange Commission guidelines. Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated.

We plan to take steps to enhance and improve the design of our internal controls over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending December 31, 2013, subject to obtaining additional financing: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out above are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A: Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosure

None.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1	Exclusive Master License Agreement, dated December 31, 2009[(1)]
10.2	Factoring and Security Agreement, dated October 21, 2010[(1)]
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30 , 2012 formatted in Extensible Business Reporting Language (XBRL).

(1) Incorporated by reference on Form 8-K filed with the Securities and Exchange Commission on April 10, 2012

**Provided herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GroveWare Technologies Ltd.

Date: December 6, 2012

By: /s/ Hrair Achkarian

Hrair Achkarian

Title: **Chief Executive Officer**

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