MANAGEMENT REPORT

October 2026 Results

Larkmoor Water Systems, Inc.

October 2026 and year to date

Sample pack. Company, customers and figures are invented.

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02

SUMMARY

What Changed This Month

October 2026 and year to date
USD

Revenue · Oct 2026	Gross margin · Oct 2026	EBITDA · Oct 2026	Net income · Oct 2026	Cash · Oct 31
$811,819	40.9%	$55,878	$26,062	$465,879
+9.7% vs budget	-4.1 pts vs budget	-25.5% vs budget	-37.7% vs budget	$398,514 at Sep 30

COMMENTARY BY THE FINANCE LEAD

Revenue

Revenue was $811,819, 9.7% ahead of budget and the highest of any month this year. Timing explains it: Saltreach Hotel Group asked us to install five sites in October that were scheduled for November and December, which brought $78,400 of revenue forward. Without it, October revenue would have been $733,419, $6,581 below budget.

Gross margin

Revenue beat budget by $71,819, but gross profit missed it by $576. Gross margin was 40.9%, against 45.0% in the budget and 45.1% for January to September. At the budget margin, October revenue would have earned $32,895 more gross profit. The five early sites account for $18,830 of that: job costing shows a 21% margin on them, with subcontracted crews, expedited shipping and no rush fee agreed. The other $14,065 is mostly subcontracted crews on the remaining October jobs while our own crews were at capacity. Subcontractors cost 9.2% of revenue (6.4% from January to September) and freight 4.0% (3.2%).

Operating expenses

Operating expenses were $276,546, $18,546 over budget. Two items were not in the budget: the regional trade show ($14,200, one-time) and the service team lead who joined in September ($7,900 a month, ongoing). Excluding those two, operating expenses were $3,554 below budget.

Profit

EBITDA was $55,878 against a budget of $75,000, and net income $26,062 against $41,850. Year to date, EBITDA is still $43,930 ahead of budget. That lead will not last: the $78,400 moved into October takes $35,280 of budgeted gross profit out of November and December, and the new role adds $15,800 in those two months. With everything else on budget, the year closes at about $8.52 million of revenue ($120,000 above budget) and about $773,000 of EBITDA ($7,000 below budget).

Cash

October used $82,635 of cash before borrowing: $26,240 in operations, $46,395 for a new service van and $10,000 of loan principal. A $150,000 draw on the line of credit on October 20 took closing cash to $465,879. Year to date, net income is $116,375 higher than last year but operating cash flow is $36,326 lower: receivables absorbed $187,341 more cash than in the same ten months of 2025. Saltreach owed $164,870 at month end, all of it within terms.

November

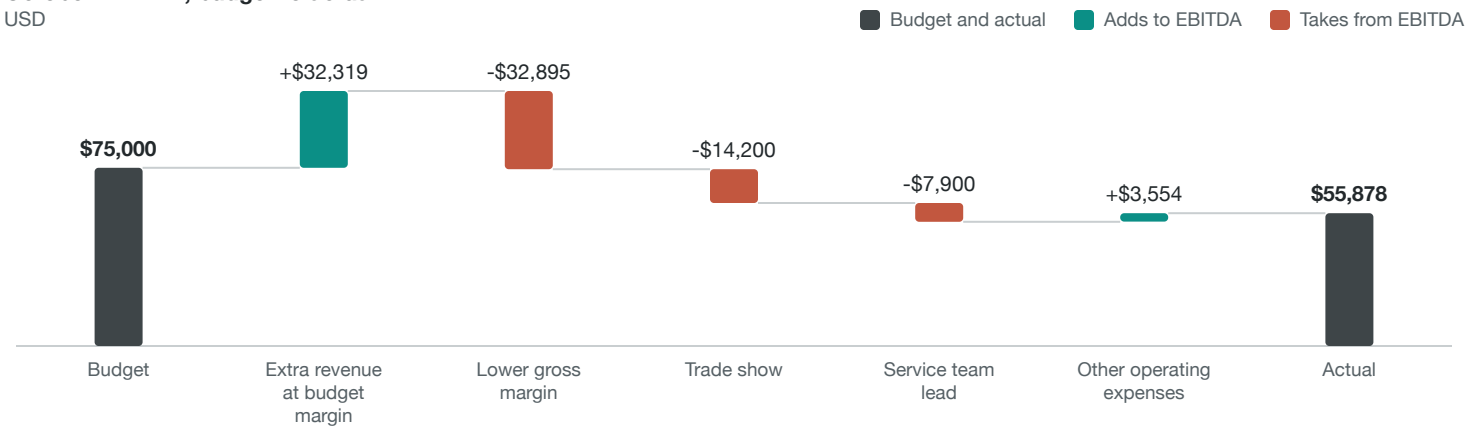
Collect Saltreach's $164,870, due by November 30, then repay the $150,000 drawn on the line of credit. On that plan cash ends November at about $390,000. Expect revenue about $47,000 below budget in November and $31,000 in December for the sites already installed. Agree a rush rate with sales before the next request for early installation.

Results at a Glance

October 2026 and year to date
USD

	OCTOBER 2026				YEAR TO DATE · JAN TO OCT 2026				
	ACTUAL	BUDGET	VAR $	VAR %	ACTUAL	BUDGET	VAR $	VAR %	JAN TO OCT 2025
Revenue	$811,819	$740,000	$71,819	+9.7%	$7,168,186	$6,970,000	$198,186	+2.8%	$6,150,318
Cost of goods sold	$479,395	$407,000	$72,395	+17.8%	$3,968,215	$3,833,500	$134,715	+3.5%	$3,431,877
Gross Profit	**$332,424**	**$333,000**	**-$576**	**-0.2%**	**$3,199,971**	**$3,136,500**	**$63,471**	**+2.0%**	**$2,718,441**
Operating expenses	$276,546	$258,000	$18,546	+7.2%	$2,501,541	$2,482,000	$19,541	+0.8%	$2,190,446
EBITDA	**$55,878**	**$75,000**	**-$19,122**	**-25.5%**	**$698,430**	**$654,500**	**$43,930**	**+6.7%**	**$527,995**
Depreciation & amortization	$15,284	$14,500	$784	+5.4%	$147,779	$145,000	$2,779	+1.9%	$128,214
Interest income	$541	$500	$41	+8.2%	$5,963	$5,000	$963	+19.3%	$4,106
Interest expense	$4,950	$5,200	-$250	-4.8%	$51,291	$52,000	-$709	-1.4%	$58,342
Other income (expense), net	-$1,436	$0	-$1,436	-	-$2,684	$0	-$2,684	-	$1,927
Income tax	$8,687	$13,950	-$5,263	-37.7%	$125,660	$115,625	$10,035	+8.7%	$86,868
Net Income	**$26,062**	**$41,850**	**-$15,788**	**-37.7%**	**$376,979**	**$346,875**	**$30,104**	**+8.7%**	**$260,604**
Gross margin	40.9%	45.0%			44.6%	45.0%			44.2%
EBITDA margin	6.9%	10.1%			9.7%	9.4%			8.6%
Net margin	3.2%	5.7%			5.3%	5.0%			4.2%

October EBITDA, budget to actual
USD



INSIGHT

October revenue was 9.7% ahead of budget, but EBITDA was 25.5% behind. At the budget margin the extra revenue was worth $32,319 of gross profit. The lower margin took $32,895 back, and operating expenses were $18,546 over budget. Year to date, revenue is 2.8% ahead of budget, EBITDA 6.7% and net income 8.7%.

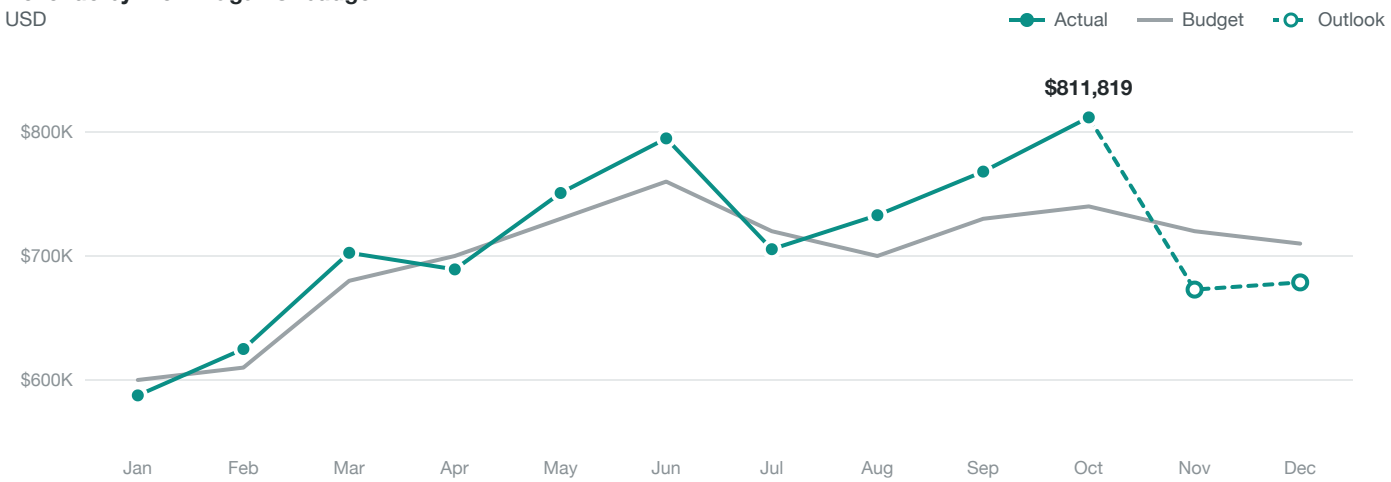
04

PROFIT & LOSS

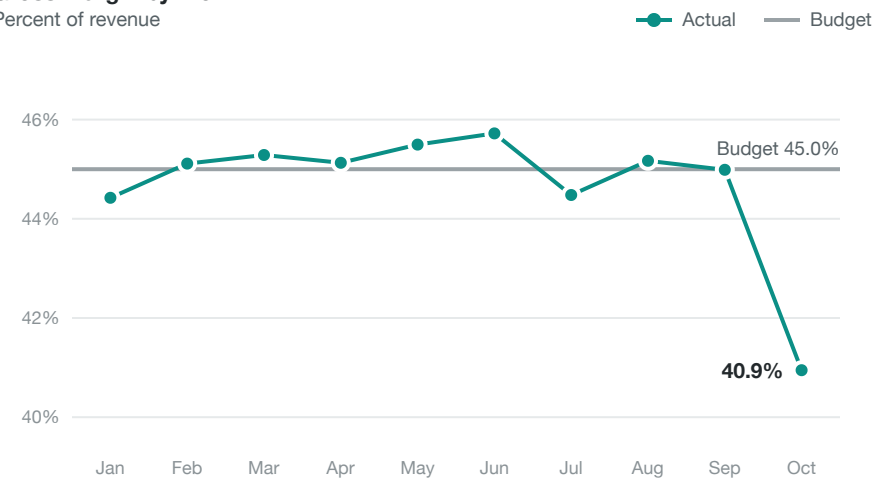
Monthly Performance

Jan to Oct 2026 · outlook for Nov and Dec
USD

Revenue by month against budget
USD



Gross margin by month
Percent of revenue



USD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD JAN-OCT
Revenue	**$587,506**	**$625,037**	**$702,619**	**$689,131**	**$750,873**	**$794,857**	**$705,453**	**$732,827**	**$768,064**	**$811,819**	$672,960	$678,640	**$7,168,186**
Revenue budget	$600,000	$610,000	$680,000	$700,000	$730,000	$760,000	$720,000	$700,000	$730,000	$740,000	$720,000	$710,000	**$6,970,000**
Net income	**$2,620**	**$17,785**	**$37,572**	**$34,844**	**$56,803**	**$65,951**	**$36,521**	**$48,811**	**$50,010**	**$26,062**			**$376,979**
Net income budget	$8,100	$11,475	$32,100	$37,350	$45,975	$53,100	$41,100	$34,350	$41,475	$41,850	$35,100	$30,225	**$346,875**
Gross margin	44.4%	45.1%	45.3%	45.1%	45.5%	45.7%	44.5%	45.2%	45.0%	40.9%			**44.6%**
Net margin	0.4%	2.8%	5.3%	5.1%	7.6%	8.3%	5.2%	6.7%	6.5%	3.2%			**5.3%**

Nov and Dec revenue in gray: outlook = budget less the sites already installed in October.

INSIGHT

Revenue has been ahead of budget in 7 of 10 months and net income in 6. Gross margin stayed between 44.4% and 45.7% from January to September and fell to 40.9% in October.

FULL YEAR 2026	JAN TO OCT ACTUAL	NOV AND DEC BUDGET	ADJUSTMENTS	OUTLOOK	BUDGET	OUTLOOK VS BUDGET
Revenue	$7,168,186	$1,430,000	-$78,400	**$8,519,786**	$8,400,000	+$119,786
EBITDA	$698,430	$125,500	-$51,080	**$772,850**	$780,000	-$7,150

Adjustments: the revenue brought forward into October ($78,400). For EBITDA, the budget margin on that revenue ($35,280) and two months of the new role ($15,800).

05

FINANCIAL POSITION

Balance Sheet

As of Oct 31, 2026
USD

ASSETS	OCT 31, 2026	DEC 31, 2025	CHANGE	CHANGE %
Cash & equivalents	$465,879	$486,312	-$20,433	-4.2%
Accounts receivable	$1,148,236	$842,655	$305,581	+36.3%
Inventory	$688,015	$612,380	$75,635	+12.4%
Prepaid & other current assets	$86,240	$74,810	$11,430	+15.3%
Total current assets	**$2,388,370**	**$2,016,157**	**$372,213**	**+18.5%**
Property, plant & equipment	$731,287	$684,540	$46,747	+6.8%
Intangibles & goodwill	$100,139	$96,200	$3,939	+4.1%
Other noncurrent assets	$32,000	$32,000	$0	0.0%
Total noncurrent assets	**$863,426**	**$812,740**	**$50,686**	**+6.2%**
Total Assets	**$3,251,796**	**$2,828,897**	**$422,899**	**+14.9%**

Total assets · Oct 31
$3,251,796
+14.9% since Dec 31, 2025

Net working capital
$1,154,590
$1,041,827 at Dec 31, 2025

Current ratio
1.94x
2.07x at Dec 31, 2025

INSIGHT

Total assets are $422,899 higher than in December, mostly receivables (up $305,581) and inventory (up $75,635). Short-term debt is the $150,000 drawn on the line of credit plus $120,000 of the term loan due within twelve months. Equity is up $256,979: net income of $376,979 less $120,000 of dividends.

LIABILITIES	OCT 31, 2026	DEC 31, 2025	CHANGE	CHANGE %
Accounts payable	$471,905	$418,590	$53,315	+12.7%
Accrued liabilities	$181,620	$162,340	$19,280	+11.9%
Short-term debt	$270,000	$120,000	$150,000	+125.0%
Deferred revenue	$238,870	$214,480	$24,390	+11.4%
Other current liabilities	$71,385	$58,920	$12,465	+21.2%
Total current liabilities	**$1,233,780**	**$974,330**	**$259,450**	**+26.6%**
Long-term debt	$620,000	$720,000	-$100,000	-13.9%
Deferred revenue (long-term)	$44,520	$38,050	$6,470	+17.0%
Other long-term liabilities	$24,000	$24,000	$0	0.0%
Total noncurrent liabilities	**$688,520**	**$782,050**	**-$93,530**	**-12.0%**
Total Liabilities	**$1,922,300**	**$1,756,380**	**$165,920**	**+9.4%**

EQUITY	OCT 31, 2026	DEC 31, 2025	CHANGE	CHANGE %
Common stock	$100,000	$100,000	$0	0.0%
Additional paid-in capital	$150,000	$150,000	$0	0.0%
Retained earnings	$1,079,496	$822,517	$256,979	+31.2%
Total Equity	**$1,329,496**	**$1,072,517**	**$256,979**	**+24.0%**
Total Liabilities & Equity	**$3,251,796**	**$2,828,897**	**$422,899**	**+14.9%**

06

CASH

Cash Flow Statement

Year to date, Jan to Oct 2026
USD

USD	JAN TO OCT 2026	JAN TO OCT 2025	VS PRIOR YEAR
OPERATING ACTIVITIES			
Net income	$376,979	$260,604	$116,375
Depreciation & amortization	$147,779	$128,214	$19,565
Change in accounts receivable	-$305,581	-$118,240	-$187,341
Change in inventory	-$75,635	-$64,115	-$11,520
Change in accounts payable	$53,315	$41,380	$11,935
Change in accrued liabilities	$19,280	$14,205	$5,075
Change in other assets & liabilities	$31,895	$22,310	$9,585
Cash from operations	**$248,032**	**$284,358**	**-$36,326**
INVESTING ACTIVITIES			
Capital expenditure	-$168,015	-$112,460	-$55,555
Intangibles & software capitalized	-$30,450	-$24,300	-$6,150
Cash from investing	**-$198,465**	**-$136,760**	**-$61,705**
FINANCING ACTIVITIES			
Long-term debt repayment	-$100,000	-$100,000	$0
Line of credit, net	$150,000	$0	$150,000
Dividends paid	-$120,000	-$90,000	-$30,000
Cash from financing	**-$70,000**	**-$190,000**	**$120,000**
Net change in cash	**-$20,433**	**-$42,402**	**$21,969**
Cash at beginning of period	$486,312	$498,960	-$12,648
Cash at end of period	**$465,879**	**$456,558**	**$9,321**

Indirect method · outflows shown as negative values.

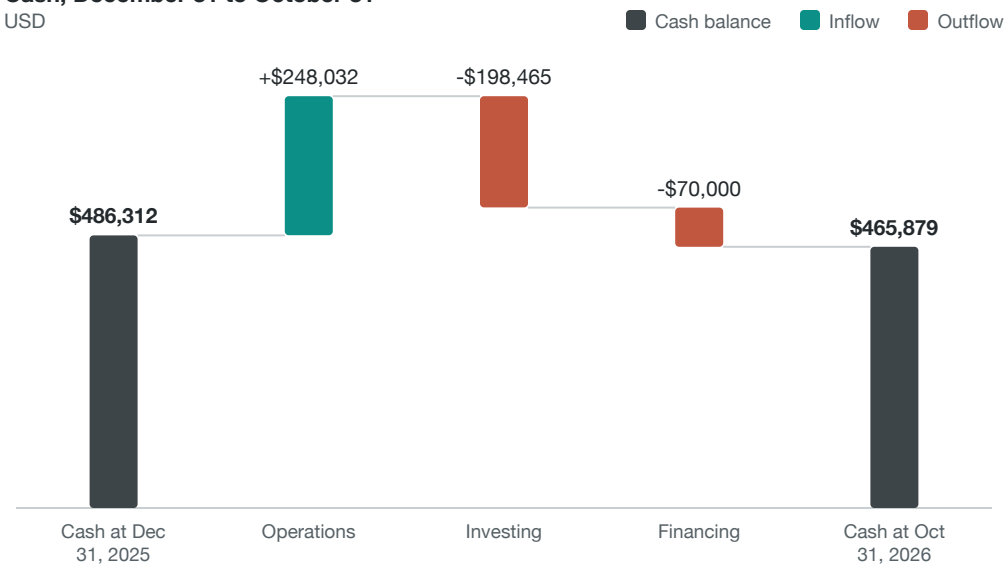
Cash from operations
$248,032
prior year $284,358

Cash from investing
-$198,465
prior year -$136,760

Net change in cash
-$20,433
prior year -$42,402

Cash at end of period
$465,879
prior year $456,558

Cash, December 31 to October 31
USD



INSIGHT

Operations generated $248,032 in ten months, $36,326 less than in the same period last year although net income is higher: receivables absorbed $187,341 more cash than last year. Investment, loan repayments and dividends came to $418,465, and the line of credit supplied $150,000.

07

FINANCIAL POSITION

Liquidity & Working Capital

As of Oct 31, 2026
USD

USD	OCT 31, 2026	% OF TOTAL	DEC 31, 2025
CURRENT ASSETS			
Cash & equivalents	$465,879	19.5%	$486,312
Accounts receivable	$1,148,236	48.1%	$842,655
Inventory	$688,015	28.8%	$612,380
Prepaid & other current assets	$86,240	3.6%	$74,810
Total current assets	**$2,388,370**	**100.0%**	**$2,016,157**
CURRENT LIABILITIES			
Accounts payable	$471,905	38.2%	$418,590
Accrued liabilities	$181,620	14.7%	$162,340
Short-term debt	$270,000	21.9%	$120,000
Deferred revenue	$238,870	19.4%	$214,480
Other current liabilities	$71,385	5.8%	$58,920
Total current liabilities	**$1,233,780**	**100.0%**	**$974,330**
Net working capital	**$1,154,590**		**$1,041,827**

Current ratio · Oct 31
1.94x
2.07x at Dec 31, 2025

Net working capital
$1,154,590
$1,041,827 at Dec 31, 2025

Receivable days
46 days
receivables against August to October sales

CASH WALK	OCTOBER ACTUAL	NOVEMBER PLAN
Opening cash	$398,514	$465,879
Operations	-$26,240	$96,000
Capital expenditure	-$46,395	-$10,000
Term loan principal	-$10,000	-$10,000
Line of credit	$150,000	-$150,000
Closing cash	**$465,879**	**$391,879**

November operations include Saltreach's $164,870, due by November 30. The line of credit is repaid after that receipt. If the receipt slips into December, so does the repayment, and November closes at $377,009.

INSIGHT

The current ratio is 1.94x, against 2.07x in December. Receivables are 48.1% of current assets, about 46 days of sales (August to October). Short-term debt is the $150,000 drawn on the line of credit, which we plan to repay in November, plus $120,000 of the term loan due within twelve months.

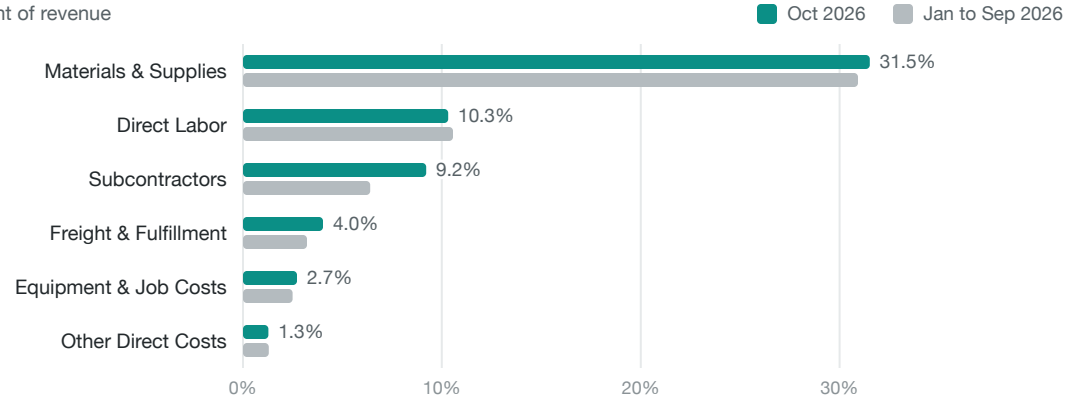
Cost Structure

October 2026
USD

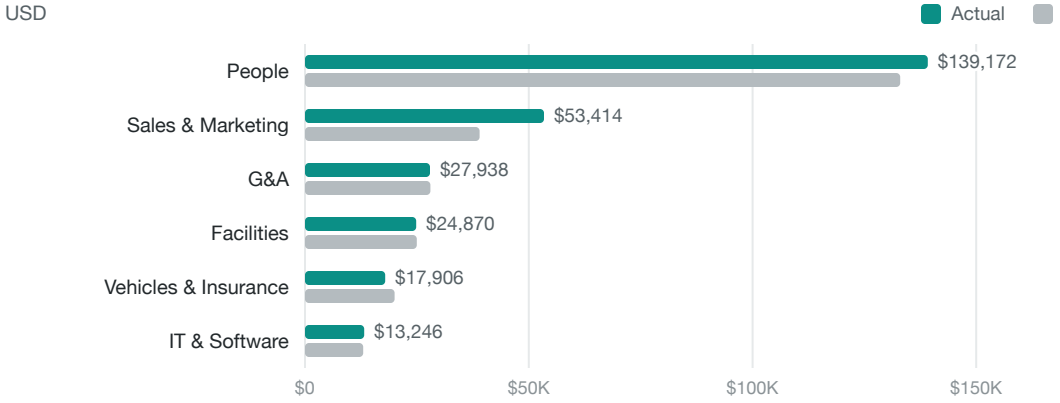
COST OF GOODS SOLD	OCT 2026	% OF REVENUE	JAN TO SEP %
Materials & Supplies	$255,846	31.5%	30.9%
Direct Labor	$83,760	10.3%	10.6%
Subcontractors	$74,757	9.2%	6.4%
Freight & Fulfillment	$32,626	4.0%	3.2%
Equipment & Job Costs	$22,021	2.7%	2.5%
Other Direct Costs	$10,385	1.3%	1.3%
Total cost of goods sold	**$479,395**	**59.1%**	**54.9%**
Gross profit	**$332,424**	**40.9%**	**45.1%**

OPERATING EXPENSES	OCT 2026	BUDGET	VARIANCE	% OF REVENUE
People	$139,172	$133,000	$6,172	17.1%
Sales & Marketing	$53,414	$39,000	$14,414	6.6%
G&A	$27,938	$28,000	-$62	3.4%
Facilities	$24,870	$25,000	-$130	3.1%
Vehicles & Insurance	$17,906	$20,000	-$2,094	2.2%
IT & Software	$13,246	$13,000	$246	1.6%
Total operating expenses	**$276,546**	**$258,000**	**$18,546**	**34.1%**
EBITDA	**$55,878**	**$75,000**	**-$19,122**	**6.9%**

Share of revenue, October against January to September
Percent of revenue



Operating expenses against budget, October
USD



INSIGHT

Cost of goods sold was 59.1% of revenue in October, against 55.0% in the budget. Subcontractors and freight together were 13.2% of revenue, against 9.6% from January to September.

INSIGHT

Operating expenses were 34.1% of revenue and $18,546 over budget. Sales & Marketing includes the $14,200 trade show, and People includes the service team lead who joined in September.

09

REVENUE BREAKDOWN

Revenue by Customer

Year to date, Jan to Oct 2026
USD

	CUSTOMER	JAN TO OCT 2026	% OF TOTAL
1	Saltreach Hotel Group	$986,420	13.8%
2	Copper Finch Restaurant Group	$702,180	9.8%
3	Stonewillow Brewing Co.	$548,365	7.6%
4	Wrenmoor Senior Living	$421,240	5.9%
5	Alder & Wren Coffee Roasters	$366,115	5.1%
6	Halvern Park Clinics	$318,470	4.4%
7	Quillfield Property Management	$274,390	3.8%
8	Briar & Rye Bakehouse	$231,255	3.2%
9	Fennick Fitness Clubs	$196,330	2.7%
	Other customers (203)	$3,123,421	43.6%
	Total revenue	**$7,168,186**	**100.0%**

INSIGHT

The nine customers shown bring in 56.4% of revenue. The other 203 average $15,386 each. Saltreach Hotel Group alone is 13.8% of the total and owed $164,870 at October 31, due by November 30.

Customers billed
212
year to date

Largest customer
13.8%
of revenue · top 3: 31.2%

Average per customer
$33,812
median $11,508

REVENUE PER CUSTOMER	CUSTOMERS	JAN TO OCT 2026	% OF TOTAL
$250,000 and above	7	$3,617,180	50.5%
$50,000 to $249,999	6	$652,172	9.1%
$10,000 to $49,999	113	$2,209,611	30.8%
Under $10,000	86	$689,223	9.6%
Total	**212**	**$7,168,186**	**100.0%**

REVENUE BY SEGMENT	JAN TO OCT 2026	% OF TOTAL
Key accounts	$4,319,311	60.3%
Other accounts	$2,848,875	39.7%
Total revenue	**$7,168,186**	**100.0%**

REVENUE BREAKDOWN

Revenue by Product / Service

Year to date, Jan to Oct 2026
USD

	PRODUCT / SERVICE	CATEGORY	JAN TO OCT 2026	% OF TOTAL	UNITS	AVG PRICE
1	CF-200 carbon filtration system	Systems	$1,286,340	17.9%	142	$9,059
2	RO-400 reverse osmosis system	Systems	$968,275	13.5%	61	$15,873
3	Standard installation	Installation	$792,460	11.1%	246	$3,221
4	Premier service plan (per site, per month)	Service plans	$721,180	10.1%	2,940	$245
5	Replacement cartridge set	Consumables	$688,415	9.6%	5,880	$117
6	Rollout installation (per site)	Installation	$572,661	8.0%	88	$6,508
7	On-call service visit	Service & repair	$512,330	7.1%	1,240	$413
8	Essential service plan (per site, per month)	Service plans	$464,742	6.5%	3,930	$118
	Other products and services (5)		$1,161,783	16.2%		
	Total revenue		**$7,168,186**	**100.0%**		

Average price = revenue ÷ units. Service plan units are site-months.

CATEGORY	JAN TO OCT 2026	% OF TOTAL
Systems	$2,947,747	41.1%
Installation	$1,365,121	19.0%
Service plans	$1,185,922	16.5%
Consumables	$1,085,234	15.1%
Service & repair	$584,162	8.1%
Total revenue	**$7,168,186**	**100.0%**

INSIGHT

Systems are 41.1% of revenue and installation 19.0%. Service plans, billed per site per month, and consumables are the repeat business: $2,271,156 year to date, almost a third of revenue.

Revenue by category, month by month

Jan to Oct 2026 · indexed to January, all panels on one scale · gray line = January level · percentage = change from January to October

Systems +52.0%



Jan $231,707 Oct $352,141

Installation +65.1%



Jan $103,916 Oct $171,586

Service plans +12.0%



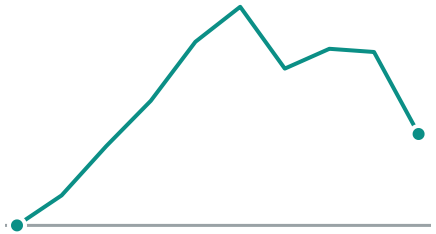
Jan $111,875 Oct $125,280

Consumables +12.9%



Jan $95,685 Oct $108,049

Service & repair +23.6%



Jan $44,323 Oct $54,763

Basis of Presentation

THIS REPORT

01	**Reporting period**	October 2026 and year to date (January to October 2026)
02	**Currency & rounding**	USD · whole dollars · percentages to one decimal, so shares may not add to exactly 100.0%
03	**Budget reference**	FY 2026 budget, approved in December 2025
04	**Comparatives**	Jan to Oct 2025 for profit and cash flow · Dec 31, 2025 for the balance sheet
05	**Source**	QuickBooks Online ledger, books closed Nov 6, 2026 · commentary by the finance lead
06	**Accounting basis**	Accrual basis · unaudited · prepared by management for internal use

TERMS

Variance	Actual less budget. A variance that reduces profit is shown in red.
EBITDA	Gross profit less operating expenses. Before depreciation, amortization, interest, other income and expense, and tax.
Gross margin	Gross profit as a share of revenue.
Net working capital	Current assets less current liabilities.
Current ratio	Current assets divided by current liabilities.
Receivable days	Accounts receivable at Oct 31 divided by revenue of August to October, times 92 days.
Outlook	Year to date plus the November and December budget, adjusted for the revenue brought forward into October and, for EBITDA, for the new role.
Key accounts	Customers assigned to an account manager, regardless of revenue.
Average price	Revenue divided by units sold.