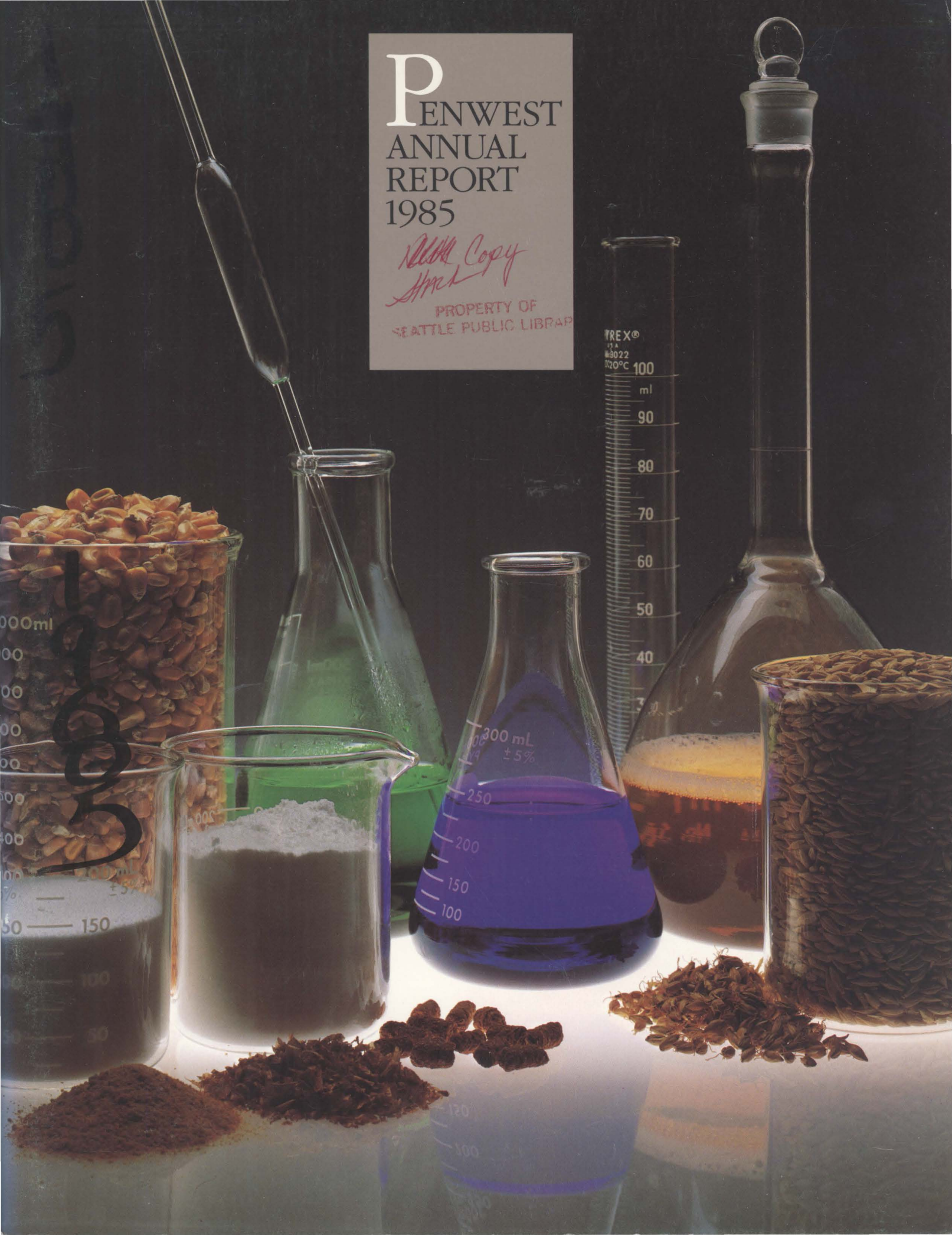


PENWEST  
ANNUAL  
REPORT  
1985

*Not a Copy*  
*Amc*

PROPERTY OF  
SEATTLE PUBLIC LIBRARY



---

This annual report was  
printed on paper treated with  
specialty starch products  
developed and sold through  
PENWEST's corn wet milling  
division.



## Financial Highlights

(Thousands of dollars)	Year Ended August 31			Year Ended February 29/28		
	1985	1984	1984	1983	1982	1981
Operating Data:	(Unaudited)					
Net sales	\$146,141	\$138,966	\$131,689	\$127,701	\$126,664	\$108,689
Net income	3,162	1,992	1,832	(269)	7,348	3,776
Balance Sheet Data:						
Current assets	43,533	42,070	53,774	64,306	65,828	48,294
Total assets	125,713	129,153	144,203	161,287	157,084	108,439
Current liabilities	19,826	15,497	28,407	25,494	35,489	26,620
Long-term debt	61,879	62,381	64,425	54,161	49,863	40,679
Revolving credit	0	13,000	15,000	35,000	30,600	17,100
Shareholders' equity	21,675	18,513	17,457	32,145	31,974	20,370

The February 29, 1984 and subsequent periods reflect a \$17,000,000 dividend by the Company to Univar prior to spin-off and a \$10,000,000 subordinated note to the Company from Univar on February 29, 1984 (See Note 1 on page 20).

**P**ENWEST is a major U.S. agricultural processing company supplying specialty corn starch products to the paper and textile industries, and brewer's malt to the brewing industry. PENWEST is a March, 1984 spin-off from Univar Corporation of Seattle.

The Company's corn wet milling division is a leading producer of specialty starches and also produces solid corn sweeteners for pharmaceutical and food products. Its products are manufactured at plants in Cedar Rapids, Iowa, and Idaho Falls, Idaho, under the Penick & Ford brand name.

PENWEST's malting division, Great Western Malting Co., is the premier producer of high-quality brewer's malt in the western United States, and also supplies major breweries in the Midwest, Southwest, South, Southeast and selected nations of the Pacific Rim. Production facilities are located in Vancouver, Washington, Pocatello, Idaho and Los Angeles, California.

PENWEST's corporate headquarters are at 300 One Bellevue Center, 411 108th Ave. N.E., Bellevue, WA 98004.



## Letter to Shareholders

The Company completed a highly successful fiscal year on August 31, with sharply higher earnings, acceptable growth in revenue, and substantial reduction of debt.

PENWEST earned \$3.2 million on revenue of \$146.1 million compared with earnings of \$2 million on revenue of \$139 million in the previous fiscal year. Earnings per fully-diluted share were \$1.04.

Revenue grew by 5 percent while earnings grew 58 percent. The earnings increase reflected, among other things, record demand in the coated paper industry for PENWEST's specialty starch products, and growing acceptance by brewers of the Company's premium varietal malt lines. Greater operating efficiencies and lower interest expense also contributed to the gain.

In addition, in the fourth quarter management made a salvage value estimate change to more closely reflect the reasonable long-range economic valuation of its malting facilities. The resulting lower

depreciation expense increased net income by \$485,000 or 16 cents per fully-diluted share.

Interest-bearing debt was reduced by \$15 million to \$64 million during the year. This enabled the Company to renegotiate its bank loans at more favorable rates.

While the divisions did well, both would have done better had the U.S. dollar not remained so strong against other major currencies. The continuing strength of the dollar has driven down international demand for U.S.-processed agricultural products while increasing domestic demand for imported paper and textile products. A softening of the dollar should have a favorable impact on your company's profitability.

The Company's corn wet milling division, producing specialty starch products under the Penick & Ford brand name, did well in an industry suffering from overcapacity. The unit's products and service are recognized throughout the

paper and textile industries for high levels of quality and reliability. That reputation was enhanced recently with the realignment of the division's top management—a move which will strengthen the unit's marketing efforts and place greater emphasis on the development of new and innovative products.

PENWEST's malt operations continued to demonstrate a capacity for growth despite a U.S. beer market that is flat to down. The division, producing premier malt products under the Great Western Malting name, sells to America's leading breweries, and is a major supplier to breweries in California and the Southwest where beer sales are growing. Great Western opened new U.S. markets and continues to explore offshore opportunities, especially those in the Pacific Rim.

PENWEST moved aggressively during the year to achieve two objectives: reduce debt, and build a solid base for future growth. Total debt was reduced by 19 percent, contributing importantly to the Company's earnings gain. Growth in the years ahead will come from decisions made



today—decisions concerning the direction of our long-term plan now underway, the depth and strength of our management team and the new products and services which will evolve from the Company's stepped-up R&D program. Some of these plans for growth are detailed in the pages which follow. Others will be reported to shareholders in subsequent interim and annual reports.

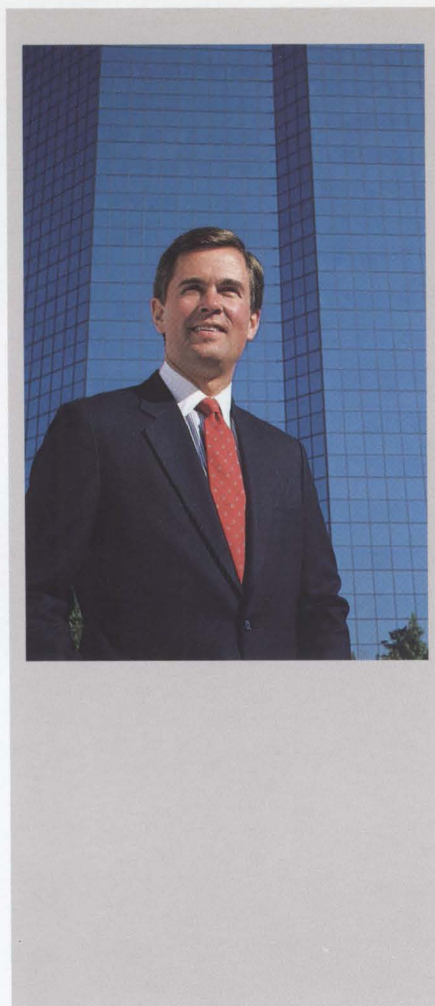
The Company's ultimate goal is to increase the value of our shareholders' investment. In support of that goal, PENWEST initiated a vigorous investor relations program to identify and communicate with those investment professionals who have an interest in the Company. Management has met individually and in groups with stockbrokers, analysts and institutions to review the Company's performance and future direction. Management believes that results from these efforts will develop over time, as the investment community becomes more familiar with our business and aware of our accomplishments.

PENWEST is indebted to two senior managers who retired on August 31, and whose vision and energy contributed importantly to the Company's present success. Curt Lindley, whose career spanned 33 years with PENWEST and companies which ultimately became PENWEST, retired as chief executive officer but will remain as chairman of the board. C.M. (Bud) Widmer, an employee since 1941, retired as president of Penick & Ford. The Company is grateful for their service.

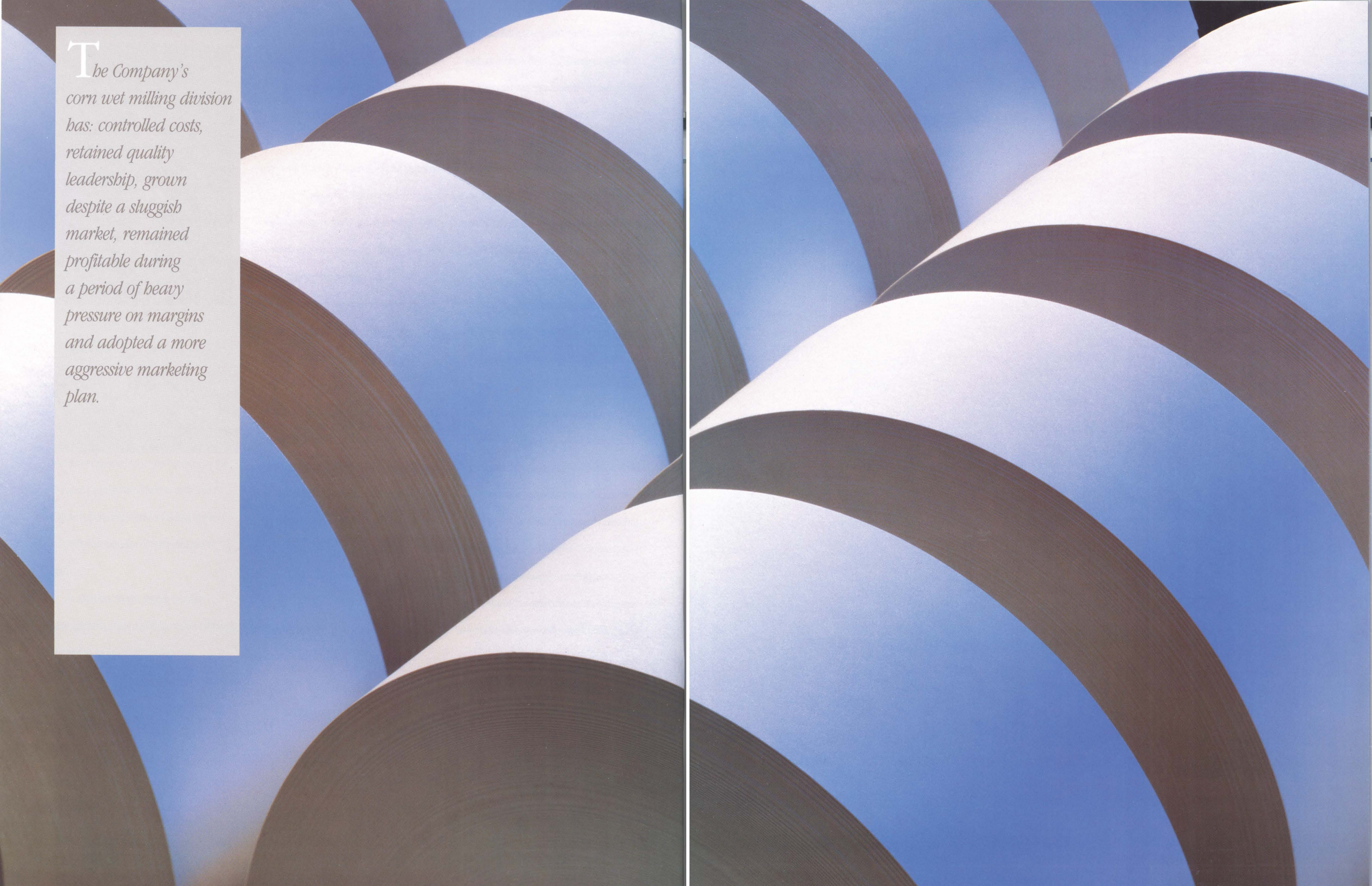
PENWEST's annual meeting of shareholders will be held at 2 p.m. Tuesday, January 21, 1986, in the 12th floor auditorium, Rainier Bank Tower, Fifth Avenue and University Street, Seattle, Washington. We encourage all shareholders and other interested parties to attend the meeting.



Tod R. Hamachek  
President and Chief Executive Officer





The background of the entire page is an abstract composition of overlapping, curved, organic shapes. These shapes are primarily white and light blue, with some darker blue and brownish tones, creating a sense of depth and movement. The shapes appear to be layered, with some in the foreground and others receding into the background.

**T***he Company's  
corn wet milling division  
has: controlled costs,  
retained quality  
leadership, grown  
despite a sluggish  
market, remained  
profitable during  
a period of heavy  
pressure on margins  
and adopted a more  
aggressive marketing  
plan.*

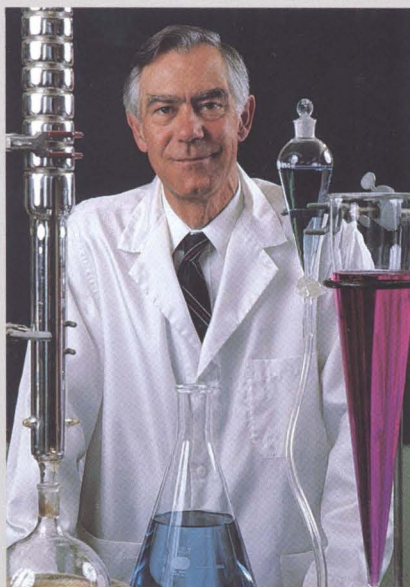


# MAGAZIN

To secure future growth, the division has resolved to be the preeminent supplier of specialty starches to the paper and textile industries.



H. Thomas Reed, President and General Manager of Penick & Ford, Limited



Kenneth W. Kirby, Ph.D., Chairman and Technical Director of Penick & Ford, Limited





# PENWEST's

corn wet milling division completed a successful year with record sales of specialty starches. Despite a generally soft corn starch market, both volume and sales increased for the fourth consecutive year. Recent Corn Refiners Association data show that while industry production was off slightly in 1985, PENWEST had a significant gain.

To secure future growth, the division has resolved to be the preeminent supplier of specialty chemical starches to the paper and textile industries. To achieve this end, the division began building a more aggressive marketing capability and has increased budget and staff to develop new and innovative products.

PENWEST, through Penick & Ford branded products, has established a strong reputation for quality and service in the specialty starch industry.

A top-level management realignment at the end of fiscal 1985 brought to the division a seasoned marketing professional from one of America's leading paper companies. H. Thomas Reed was elected president and general manager with overall responsibility for management of the division.

Kenneth W. Kirby, Ph.D., a 27-year company veteran, was elected chairman and technical director. Dr. Kirby, who will

manage the division's product development efforts, is one of the leading technical experts in the corn starch industry.

Starch prices and margins have been adversely affected by excess production capacity in the corn wet milling industry caused, in part, by industry expansion in anticipation of increasing demand for high fructose corn syrup. The excess capacity had an overall dampening effect on margins as some wet milling processors attempted to maximize the use of their available production capacities. However, PENWEST, as a specialty starch producer, held margins better than many commodity starch or syrup producers.

PENWEST's largest customer base for specialty starch products are major U.S. paper companies, especially producers of coated papers. While paper industry growth has been modest, coated paper volume is expected to grow at an annual rate of nearly 5 percent through 1990. The growth has been sparked by increasing demand for papers used for magazines, promotional and advertising literature, brochures, catalogues and other published materials.

The division also produces dry sweeteners for use as tableting agents in the confectionery and pharmaceutical industries and as bulking agents for low calorie sweeteners. These products continue to show growth and favorable profitability.

The Company is a primary supplier of premium warp sizing starches to the domestic textile industry and has increased its share of this market.

PENWEST is actively developing new products for both the textile and paper industries and in the coming years expects to devote a greater portion of revenue to research and development. We believe that a continuing effort to customize product offerings, matched by high levels of service, will lead to the long-term relationships between customer and supplier that are necessary for the Company's stability and growth.

The division continues to focus on cost effectiveness, and significant progress has been achieved in reducing energy needs. Unit energy requirements have been reduced by 26 percent since 1978 during a period when production was increasing.

To summarize, the Company's corn wet milling division has: controlled costs, retained quality leadership, grown despite a sluggish market, remained profitable during a period of heavy pressure on margins and adopted a more aggressive marketing plan.



*The Company's malt  
products, marketed  
under the Great Western  
Malting brand name,  
are recognized  
worldwide as one of  
the industry standards  
for quality.*





PENWEST looks forward to continued growth in its traditional western markets and to an increasing share of new markets.



Ronald B. Vogel, Executive Vice President and General Manager of Great Western Malting Co.





# PENWEST's

malting division showed gains in volume and profit, successfully opened new U.S. markets and continues to strengthen its leadership position in the growing western U.S. malt beverage industry.

A major national customer announced plans to increase brewing capacity in Los Angeles (the world's largest beer market), is completing the expansion of another brewery that will double its capacity in the Southwest and is building a new brewery in the West. These additions will add about nine million barrels of brewing capacity in the markets served by PENWEST's Great Western Malting Division.

The Company continues to market its product aggressively in new markets in the Southeast, Southwest and South. Beer demand in markets served by the Company is stronger than in the nation as a whole.

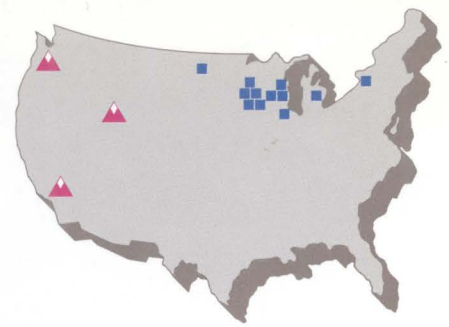
While all other commercial maltsters are clustered to the east of PENWEST's principal markets, the Company's production facilities are strategically located for maximum flexibility and growth. The Los Angeles plant serves brewers in the large Southern California market; a four-year-old facility in Pocatello, Idaho is in the heart of the nation's two-row barley

growing area, and a third plant in Vancouver, Washington serves the Pacific Northwest, California and selected nations of the Pacific Rim.

PENWEST buys barley from growers in five separate regions of the West and the western north central United States. This strategy enables the Company to substantially insulate itself from poor crop years. Despite a severe drought this year in Montana and western North Dakota, the Company will be able to meet demand. PENWEST may be the only maltster in the world with such a diversified raw materials base.

The Company's malt products, marketed under the Great Western Malting brand name, are recognized worldwide as one of the industry standards for quality. Great Western's reputation for outstanding service and products is the division's greatest competitive asset. The Company is committed to preserving and improving upon this advantage even at the expense of straining profit margins in a highly competitive marketplace.

Export orders were soft during the year because of the continuing strength of the U.S. dollar and subsidies that foreign governments give to their malting industries. We continue to seek offshore markets, however, and have sent management representatives to South America, Asia and Europe to explore



▲ Penwest Malting Facilities  
■ Competitive Maltsters

new opportunities. Foreign governments probably will continue their subsidization of international malt sales, so Great Western's long-term export prospects will depend upon the relative strength of the U.S. dollar against other currencies.

Total beverage alcohol consumption is down in the United States and beer sales nationally are essentially unchanged from last year. The population is aging, there is greater public awareness of the health implications of alcohol abuse, and consumers are responding to public service campaigns pointing out the dangers of drinking and driving.

While these trends probably will continue for the foreseeable future, Americans will continue to consume alcoholic beverages in moderation. Even though sales on a national level are unlikely to grow significantly, PENWEST looks forward to continued growth in its traditional western markets, and to an increasing share of new markets.



PENWEST

*production facilities are  
among the most modern  
and efficient in their  
industries*





# THE COMPANY'S

long-term plan has called for heavy investment in new plant expansion and modernization to strengthen its position for growth in a competitive environment. Capital expenditures in the past five years exceeded \$76 million.

This investment was financed, for the most part, through debt incurred prior to the spin-off. These borrowings, together with a \$17 million dividend to Univar at the spin-off, incurred a total interest-bearing debt load of \$99 million at March 1, 1984.

PENWEST production facilities now are among the most modern and efficient in their industries. At the same time, however, a high debt load imposes limitations on the Company's ability to pursue internal and external growth opportunities. Part of the overall plan, therefore, has been rapid paydown of debt. In 18 months of independent operation, the Company has reduced its debt by \$35 million. In addition, at year end \$4 million had been invested in interest-earning deposits.

Debt reduction receives high priority at PENWEST, and management is pleased with the results of a three-part program designed to reduce the need for borrowings.

## Inventory and Capital Management

Because of heavy capital investment in recent years, current needs are modest; only \$1.9 million was spent for capital improvements during the fiscal year. During the same period, \$3.2 million in net earnings and \$6.7 million in depreciation charges were available for debt reduction.

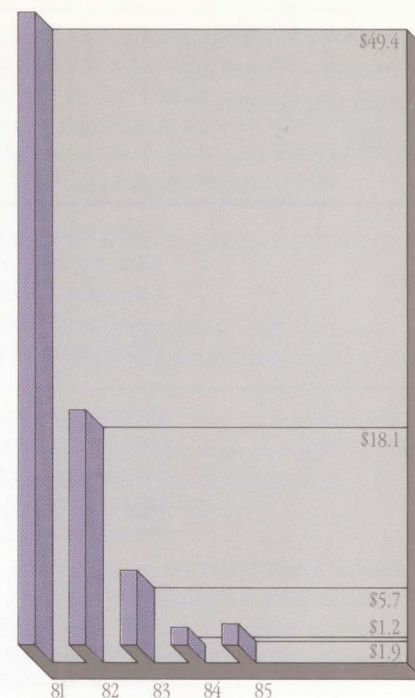
Control of inventories was tightened during 1985. The highest concentration of inventories is in the malting operations,

where management was able to change certain raw materials purchasing patterns. That effort, accompanied by other procurement changes, reduced average inventories even though production volumes in both divisions have remained strong.

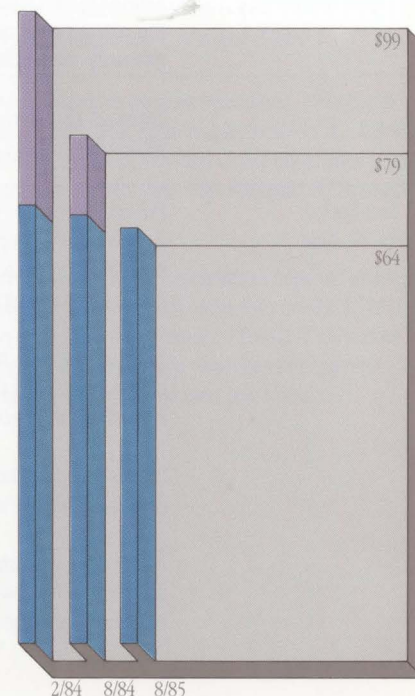
**Cash Management** In the third quarter the Company initiated a comprehensive computer-based cash management system. This system monitors accounts receivable and payable and minimizes the time cash remains in non-interest-bearing checking accounts. The system assures the best use of available funds for debt paydown or for other uses.

**Bank Debt** PENWEST's continuing positive cash flow provided an opportunity for further discussions with its banks. In January, the Company negotiated a new revolving line of credit with a number of changes including significant reductions in interest rates. In the fourth quarter PENWEST refinanced a term loan for a longer period at lower rates. Shortly after the close of the year, an additional line of credit was offered at the prime rate in sharp contrast to the prime plus 1.5 percent paid at the time of spin-off.

**Future Strategies** Continued paydown of debt combined with strong positive cash flow have broadened management's options for future growth. Management believes that growth could come from an expansion of existing businesses or from the acquisition of new businesses. PENWEST is committed to the long-term enhancement of shareholder investment in the Company in an aggressive but disciplined manner.



**Capital Expenditures**  
Years Ended August 31  
(Dollars in Millions)



**Interest-Bearing Debt**  
(Dollars in Millions)  
■ Short-Term Debt  
■ Long-Term Debt



---

Management's Discussion  
and Analysis of Financial  
Condition and Results of  
Operations

---

In reviewing and comparing the financial statements in this report, an understanding of their inherent limitations is necessary. Prior to February 29, 1984, the PENWEST group was operated as the manufacturing subsidiaries of Univar Corporation. During this time, the manufacturing subsidiaries underwent a major physical plant expansion program and were heavily impacted by a recession. Therefore, making comparisons between those periods and the current period is difficult at best. It was only during recent periods that the businesses began to operate under more consistent conditions.

---

Fiscal Year Ended  
February 28, 1983

Operations had a pre-tax loss of \$3,135,000 arising primarily from underutilization of the new plants, reduced margins available in poor markets and from the heavy depreciation and interest charges related to the Company's new manufacturing capacity. At Cedar Rapids, the corn wet mill operated at less than full capacity for the year, and at too low a rate to allow profitability. However, during this year, the corn wet milling operations implemented an aggressive marketing and sales program, the success of which would be felt in the following periods.

On the West Coast, malting division customers completed additional brewing facilities in Southern California, but these plants came on line slowly. For the year, the Company's malting plants operated at less than desired capacity. Severe price competition also set in, a result of the Staggers Rail Deregulation Act. This act lowered westbound freight rates significantly, enabling midwestern maltsters to more effectively compete in the West Coast region.

Late in the year, Great Western Malting completed a new cogeneration plant adjacent to the Vancouver, Washington malt house. This facility, financed by stand-alone debt, was designed to reduce and stabilize the cost of heat used in the malting process. The project accounted for most of the net plant additions of \$12,807,000 during the year.

Reflecting the capital expenditures of recent years, depreciation increased to \$7,082,000. Simultaneously, tax deferrals for the year provided additional cash flow of \$6,051,000. Interest expense charges to operations increased to \$10,533,000, primarily the result of extremely high floating-rate debt borrowed to finance much of the past three years' plant expansion.

Earnings also were adversely affected by heavy legal fees related to an antitrust suit in the corn wet milling industry. Settlement costs of \$775,000 were charged to the year's operating results.

---

Fiscal Year Ended  
February 29, 1984

Pre-tax income for the year totaled \$3,433,000. Sales for the period grew by \$4,000,000, largely the impact of growth in corn wet milling operation sales. By March 1983, volume at Penick & Ford had grown to the break-even point, and these operations began to consistently report earnings. This increased volume largely explains a 3.3 percent overall improvement in the gross margin percentage.

The malting unit, however, continued to face low demand from its West Coast brewing customers. As a result of excess U.S. malt capacity and flat beer sales, profitability generally weakened. In response to low demand, the unit temporarily closed its least efficient capacity.

Interest expense dropped by more than \$2.4 million from the preceding period. This reduction was primarily due to decreased average rates on floating-rate debt.

At the close of business on February 29, 1984, Penick & Ford declared a \$17,000,000 dividend to Univar. This dividend was financed by borrowings under a \$10,000,000 subordinated note and additional drawings against the company's line of credit (see Note 1 on page 20).



Six Months Ended August 31, 1984	<p>Consolidated sales for the six months ended August 31, 1984 increased 11 percent to \$75,382,000 from \$68,105,000 for the six-month period ended August 31, 1983. The corn wet milling marketing and sales strategies began to pay off. Sales of specialty starch products remained strong throughout the period, reflecting both the new strategies and continued strength of the paper, paperboard and corrugating industries. Domestic malt operations continued to be adversely affected by excess malting capacity, low or no growth in beer sales, and the ongoing shift to light beers. The domestic malt challenges were partially offset by additional Pacific Rim export sales, enabling malt operations to more fully utilize plant capacity.</p> <p>Gross margin increased over the comparable six-month period in the preceding year. The improvement reflected efficiencies of higher production levels, primarily in corn products.</p> <p>For the six months ended August 31, 1984, interest expense amounted to \$4,760,000, up \$426,000 from the preceding comparable period. The increase relates to debt incurred to finance the \$17,000,000 dividend paid to Univar at date of spin-off.</p>
Fiscal Year Ended August 31, 1985	<p>Consolidated sales grew by \$7.2 million. Both the corn wet milling and malting units showed revenue and volume growth. The malting unit had very strong export shipments during the first half of the year. The continued strength of the U.S. dollar, however, impacts both unit's ability to achieve any significant sustainable export sales volume.</p> <p>The gross margin percentage improved from the preceding year. The improvement is largely due to a change in accounting estimate (see note 9 on page 24). In August 1985, the Company concluded a review of its depreciation policies and elected to establish salvage values on certain malting unit assets. The effect of this change was to decrease depreciation expense by \$905,000 in the fiscal year. Competitive price pressures resulted in tight margins in both the corn wet milling and malting units.</p> <p>Operating expenses increased by \$1 million from the preceding 12 months. The increase reflects the full 12 months' impact in operating costs associated with running separate operations from Univar, and additional staffing and programs in both operating units.</p> <p>Interest expense dropped \$1.3 million. This reduction is due to a combination of lower outstanding borrowing and lower interest rates. See the narrative on page 13 for further discussion on borrowings, interest rates, and cash flow.</p>
Liquidity and Capital Resources	<p>PENWEST has variations in grain inventory levels during the year, particularly related to its malt operations. Most barley purchases are made in the fall following harvest. As a result, inventories and related debt financing increase in the fall with peaks in January and low points in August. Financing of these inventory level changes is provided under bank lines of credit totalling \$22,000,000. Borrowing reached a maximum of \$14,900,000 during the current year, and was paid off by year end.</p> <p>During the last 30 months, capital expenditures have been at essentially a replacement level. Depreciation expense totalled \$6.7 million and net deferred taxes \$2.8 million during the period ending August 1985. Current maturities are \$2.5, \$2.9, \$3.2, \$13.5, and \$2.6 million over the next five years. Based on future cash flow from depreciation, PENWEST should be able to comfortably service existing debt even if earnings do not develop as anticipated. Accordingly, management believes liquidity to be adequate, recognizing that capital expenditures should be relatively low over the next few years.</p>



## Consolidated Balance Sheets

	(Thousands of dollars)	August 31, 1985	August 31, 1984	February 29, 1984
Assets				
	<i>Current assets:</i>			
	Invested cash	\$ 4,000		
	Receivables:			
	Trade accounts (Note 4)	14,979	\$ 16,013	\$ 12,924
	Income tax		118	3,607
	Inventories (Notes 3 & 4)	23,790	24,974	36,754
	Prepaid expenses and other	764	965	489
	<i>Total current assets</i>	<u>43,533</u>	<u>42,070</u>	<u>53,774</u>
	<i>Property, plant and equipment, at cost (Note 4):</i>			
	Land	1,061	1,061	1,061
	Plant and equipment	124,154	122,257	122,054
	Less accumulated depreciation	(43,715)	(37,171)	(33,246)
	<i>Net property, plant and equipment</i>	<u>81,500</u>	<u>86,147</u>	<u>89,869</u>
	<i>Other assets</i>	<u>680</u>	<u>936</u>	<u>560</u>
	<i>Total</i>	<u>\$125,713</u>	<u>\$129,153</u>	<u>\$144,203</u>
Liabilities and shareholders' equity				
	<i>Current liabilities:</i>			
	Bank checks outstanding less cash in bank	\$ 4,436	\$ (204)	\$ (1,347)
	Notes payable			15,553
	Current portion of long-term debt	2,510	4,045	3,960
	Accounts payable	7,425	7,416	6,207
	Accrued liabilities	5,455	4,240	4,034
	<i>Total current liabilities</i>	<u>19,826</u>	<u>15,497</u>	<u>28,407</u>
	<i>Revolving credit agreement (Note 4)</i>		<u>13,000</u>	<u>15,000</u>
	<i>Long-term debt (Note 4)</i>	<u>51,879</u>	<u>52,381</u>	<u>54,425</u>
	<i>Subordinated debt (Notes 1 &amp; 4)</i>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
	<i>Deferred taxes and credits (Note 7)</i>	<u>22,333</u>	<u>19,762</u>	<u>18,914</u>
	<i>Shareholders' equity (Notes 2, 4, &amp; 5):</i>			
	Common stock, par value \$1.00 per share			
	Authorized—9,000,000 shares			
	Outstanding—2,769,520 shares	2,770	2,770	5,058
	Additional paid-in capital	11,689	11,689	9,401
	Retained earnings	7,216	4,054	2,998
	<i>Total shareholders' equity</i>	<u>21,675</u>	<u>18,513</u>	<u>17,457</u>
	<i>Total</i>	<u>\$125,713</u>	<u>\$129,153</u>	<u>\$144,203</u>

The accompanying notes are an integral part of these statements.



Consolidated Statements  
of Operations

(Thousands of dollars)	Year Ended August 31		Six Months Ended August 31	Year Ended February 29/28	
	1985	1984	1984	1984	1983
	(Unaudited)				
Sales	\$146,141	\$138,966	\$ 75,382	\$131,689	\$127,701
Cost of sales	123,586	118,687	64,452	112,655	113,520
Gross margin	22,555	20,279	10,930	19,034	14,181
Operating expenses	9,020	7,997	4,102	7,488	6,783
Income from operations	13,535	12,282	6,828	11,546	7,398
Interest expense	7,259	8,538	4,760	8,113	10,533
Income (loss) before taxes	6,276	3,744	2,068	3,433	(3,135)
Income taxes (benefit) (Note 7)	3,114	1,752	1,012	1,601	(2,866)
Net income (loss)	\$ 3,162	\$ 1,992	\$ 1,056	\$ 1,832	\$ (269)

*Earnings per common share and  
common share equivalent*

(Note 2):

Primary	\$1.04	NA	\$0.36	NA	NA
Fully diluted	\$1.04	NA	\$0.35	NA	NA

The accompanying notes are an integral part of these statements.



Consolidated Statements of  
Changes in Financial Position

(Thousands of dollars)		Year Ended August 31 1985	1984	Six Months Ended August 31 1984	Year Ended February 29/28 1984	1983
Source of funds:		(Unaudited)				
	<i>Operations—</i>					
	Net income (loss)	\$ 3,162	\$ 1,992	\$ 1,056	\$ 1,832	\$ (269)
	Depreciation and amortization	6,735	8,152	3,983	8,234	7,082
	Deferred income taxes and other	2,773	3,635	954	5,173	6,051
		12,670	13,779	5,993	15,239	12,864
	Contribution from Univar Corporation		237		480	440
	Subordinated note from Univar		10,000		10,000	
	Long-term debt incurred					19,924
		12,670	24,016	5,993	25,719	33,228
Application of funds:	Net additions to property, plant and equipment	1,926	1,213	174	1,672	12,807
	Reduction in long-term debt	13,502	3,832	4,044	19,736	11,226
	Dividend distributed to Univar		17,000		17,000	
	Other	108	1,161	569	756	722
		15,536	23,206	4,787	39,164	24,755
Working capital:	Increase (decrease)	(2,866)	810	1,206	(13,445)	8,473
	Add—beginning working capital	26,573	25,763	25,367	38,812	30,339
	Ending working capital	\$23,707	\$26,573	\$26,573	\$25,367	\$38,812
Increase (decrease) in components of working capital:	<i>Current assets—</i>					
	Invested cash	\$ 4,000				
	Receivables	(1,152)	\$3,549	\$ (400)	\$ (5,027)	\$ (1,607)
	Inventories	(1,184)	(908)	(11,780)	(4,051)	3,072
	Prepaid expenses and other	(201)	506	476	(1,141)	406
		1,463	3,147	(11,704)	(10,219)	1,871
	<i>Current liabilities—</i>					
	Bank checks outstanding less cash in bank	4,640	2,008	1,143	(1,034)	3,393
	Notes payable		(5,000)	(15,553)	14,553	1,000
	Current portion of long-term debt	(1,535)	654	85	2,421	130
	Accounts payable	9	3,254	1,209	920	(2,815)
	Accrued liabilities	1,215	1,421	206	(864)	449
	Advances from Univar				(12,770)	(8,759)
		4,329	2,337	(12,910)	3,226	(6,602)
	Increase (decrease) in working capital	\$ (2,866)	\$ 810	\$ 1,206	\$ (13,445)	\$ 8,473

The accompanying notes are an integral part of these statements.



Consolidated Statements of  
Shareholders' Equity

(Thousands of dollars)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
<i>Balance, February 28, 1982</i>	\$ 5,058	\$ 8,481	\$18,435	\$31,974
Net loss			(269)	(269)
Contribution from Univar Corporation:				
Executive office expense		440		440
<i>Balance, February 28, 1983</i>	5,058	8,921	18,166	32,145
Net income			1,832	1,832
Cash dividend				
distributed to Univar			(17,000)	(17,000)
Contribution from Univar Corporation:				
Executive office expense		480		480
<i>Balance, February 29, 1984</i>	5,058	9,401	2,998	17,457
Net income			1,056	1,056
Retirement of manufacturing subsidiaries' common stock	(5,058)	5,058		
Issuance of PENWEST common stock	2,770	(2,770)		
<i>Balance, August 31, 1984</i>	2,770	11,689	4,054	18,513
Net income			3,162	3,162
<i>Balance, August 31, 1985</i>	\$ 2,770	\$11,689	\$ 7,216	\$21,675

The accompanying notes are an integral part of these statements.



(Information for the year ended August 31, 1984 is unaudited)

Note 1: Organization and  
Transactions with Univar  
Corporation

PENWEST, LTD. was incorporated as a subsidiary of Univar Corporation on September 20, 1983. On February 29, 1984, Univar transferred to PENWEST all of the outstanding stock of the manufacturing subsidiaries of Univar (Penick & Ford, Limited, Idaho Malting Company, Pacific Cogeneration, Inc. and Great Western Malting Export Corporation). On March 1, 1984, Univar distributed all of the outstanding shares of PENWEST to the shareholders of Univar. PENWEST utilizes certain management services (primarily tax related) of Univar under a three-year management services agreement.

The consolidated financial statements for the fiscal year ended August 31, 1985 and the six-month period ended August 31, 1984, include PENWEST and its wholly-owned subsidiaries. The combined financial statements for fiscal years ended February 29/28, 1984, and 1983 include the accounts of the manufacturing subsidiaries of Univar. Material intercompany balances and transactions have been eliminated. The financial statements for the year ended August 31, 1984 include amounts before and subsequent to spin-off. These amounts for the year ended August 31, 1984 have not been audited, but in the opinion of management, all adjustments necessary for a fair presentation have been included. In the opinion of management, all adjustments are of a normal, recurring nature.

The combined financial statements of the manufacturing subsidiaries of Univar include corporate office expenses which management has estimated would have been incurred by the manufacturing subsidiaries had they been operating independently. The after-tax impact on earnings of this allocation was recorded as a contribution to additional paid-in capital of the manufacturing subsidiaries.

On February 29, 1984, Penick & Ford, Limited distributed a cash dividend of \$17,000,000 to Univar. Simultaneously, Univar loaned \$10,000,000 to Penick & Ford, Limited on a subordinated note for five years at an interest rate of 13 percent (See Note 4).

Univar continues to guarantee certain debts of PENWEST. In consideration thereof, PENWEST granted Univar a warrant to purchase shares that together with the then outstanding common stock would equal 20 percent of PENWEST common stock. The per-share exercise price of the warrant is \$6.40. The price was based on the average trading price for 10 days subsequent to the distribution record date. The warrant, which expires in September 1993, is transferable and is subject to certain antidilution provisions. Univar has also agreed to certain restrictions on the exercise and holding period of shares acquired under the warrant.

Note 2: Summary of  
Significant Accounting  
Policies

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred. The Company uses the straight-line method in computing depreciation for financial reporting purposes. For income tax purposes, the Company generally uses accelerated methods.

Interest has been capitalized on major construction projects while in progress. Interest of \$947,000 was capitalized in the fiscal year ended February 28, 1983. No interest was capitalized in any of the other fiscal periods presented.

*Income Taxes*

Deferred income taxes are provided on timing differences between financial and income tax reporting methods. Investment tax credits are accounted for by the flow through method as a direct reduction of the current federal income tax provision.

*Earnings Per Share*

Earnings per common share and common share equivalents were computed by dividing net income by the weighted average number of shares of common stock and common share equivalents outstanding during the period (for primary and for fully diluted). Stock options and warrants to purchase stock are considered to be common share equivalents when dilutive, using the treasury stock method. Since the Company began independent operations on March 1, 1984, earnings per share information has not been presented for prior periods.

*Segment Information—Major Customers*

PENWEST operates principally in one line of business—agricultural processing. Two major customers accounted for sales of \$61,735,000 and \$10,122,000, respectively, in the fiscal year ended August 31, 1985; \$52,811,000 and \$12,855,000 in the fiscal year ended August 31, 1984; \$28,481,000 and \$7,377,000 in the six months ended August 31, 1984; \$53,675,000 and \$12,120,000 in the fiscal year ended February 29, 1984; and \$59,223,000 and \$12,739,000 in the fiscal year ended February 28, 1983.

*Preferred Stock*

PENWEST has 1,000,000 shares of preferred stock, \$1.00 par value, authorized, of which none are issued or outstanding.



Note 3: Inventories

Inventories are stated at the lower of cost or market. Cost, which includes material, labor and manufacturing overhead costs, is determined by the first-in, first-out (FIFO) method.

Inventories consist of:

(Thousands of dollars)	August 31, 1985	August 31, 1984	February 29, 1984
Raw materials, supplies and other	\$11,708	\$12,455	\$22,255
Work in progress	1,236	1,171	1,525
Finished goods	10,846	11,348	12,974
<i>Total inventories</i>	<i>\$23,790</i>	<i>\$24,974</i>	<i>\$36,754</i>

Note 4: Long-Term Debt and Revolving Credit Agreement

The long-term debt of the company and its subsidiaries is as follows:

(Thousands of dollars)	August 31, 1985	August 31, 1984	February 29, 1984
10 $\frac{3}{4}$ percent promissory note, payable in monthly installments to 2001, secured by certain real property and equipment	\$20,186	\$20,429	\$20,540
9 percent promissory note, payable in monthly installments to 1998, secured by certain property and equipment	16,501	17,144	17,445
8 $\frac{3}{4}$ percent mortgages, payable in installments to 1991, secured by certain real property and equipment	10,002	11,044	11,532
Term loan, with variable interest keyed to certificate of deposit rates plus 1.1 percent, payable in annual installments to 1994, secured by certain real property and equipment	7,700	7,809	8,868
Subordinated 13 percent unsecured promissory note, payable February 28, 1989, with annual interest-only payments due March 1 of each year	10,000	10,000	10,000
	64,389	66,426	68,385
Less current portion	2,510	4,045	3,960
Net long-term debt	\$61,879	\$62,381	\$64,425

The 8  $\frac{3}{4}$  percent mortgages are guaranteed by Univar Corporation. The 10  $\frac{3}{4}$  percent and 9 percent promissory notes carry a combined maximum guarantee by Univar of \$20,000,000.

Maturities of long-term debt for the fiscal years ending August 31, 1986 through 1990 are as follows (thousands of dollars):

1986	\$ 2,510
1987	\$ 2,910
1988	\$ 3,230
1989	\$13,470
1990	\$ 2,614

The term loan was renegotiated during the fiscal year ended August 31, 1985. The term loan period was extended from 1988 to 1994 and the interest rate was reduced from the certificate of deposit rate plus 2.1 percent to the certificate of deposit rate plus 1.1 percent.

The company also negotiated a new revolving line of credit with three banks effective January 31, 1985, electing to reduce the amount it may borrow from \$44,000,000 to \$22,000,000. Borrowing rates available to the Company under the revolver were also reduced as follows: prime rate plus 1.5 percent to prime rate plus 0.625 percent; certificate of deposit rate plus 2.3 percent to certificate of deposit rate plus 1.4 percent; and Bankers' Acceptance rate plus 2.1 percent to Bankers' Acceptance rate plus 1.5 percent. The approximate average aggregate borrowing under the revolver was \$9,900,000 in the fiscal year ended August 31, 1985. The approximate weighted average interest rate during the same period was 11.4 percent. The maximum amount of borrowings during the fiscal year was \$14,950,000 on April 12, 1985. The borrowings are secured by inventories and accounts receivable. The revolving credit agreement includes, among other terms, various limitations on long-term indebtedness, minimum net worth balances and working capital ratios, and restrictions on PENWEST's ability to purchase or redeem its own stock or pay cash dividends. Under the most restrictive of these terms minimum net worth for the period ending August 31, 1985, must be at least \$17,581,000. The term of this agreement is extended on an annual basis unless the commitments are withdrawn. If any bank withdraws, reduction of its commitment can be accomplished in four equal quarterly reductions commencing approximately one year after notice of election to withdraw.



Note 5: Stock Options  
and Warrant

As of August 31, 1985, options to purchase 78,000 common shares were outstanding under PENWEST's stock option plan, 15,200 of which were exercisable. None was exercised as of August 31, 1985. The option prices, which were equivalent to market price at the date of grant, range from \$6.25 to \$11.13 per share.

The Company also has granted a warrant to Univar Corporation to purchase 692,380 shares of common stock (See Note 1).

Note 6: Pension Plans

Substantially all employees of PENWEST and its subsidiaries are covered by defined benefit pension plans. Total pension expense amounted to \$730,000 for the fiscal year ended August 31, 1985; \$276,000 for the six month period ended August 31, 1984; \$788,000 and \$1,297,000 for fiscal years ended February 29/28, 1984, and 1983. Pension costs include amortization of prior service costs over periods ranging up to 30 years.

It is the policy of PENWEST to fund amounts necessary to meet at least the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

As of January 1, 1985, benefit and asset information for the salaried plan of PENWEST and its subsidiaries and the negotiated hourly plan sponsored by Penick & Ford, Limited was as follows:

(Thousands of dollars)

Actuarial present value of plan benefits as of January 1, 1985:

Vested	\$8,518
Non-vested	276
	<u>\$8,794</u>
Net assets available for benefits	<u>\$6,311</u>

Net assets available for plan benefits include the market value of fund assets (\$4,872,000) and accumulated amounts charged to operations, but not yet funded (\$1,439,000). The actuarial present value of plan benefits was determined using a discounted rate of return of 9 percent.

Certain employees are covered under jointly-sponsored, collectively-bargained plans. Provisions of the multiemployer Pension Plan Amendments Act of 1980 require participating employers to assume a proportionate share of multiemployer plans unfunded vested benefits in the event of withdrawal from or termination of the plan. Information concerning the Company's share of unfunded vested benefits is not available from plan administrators. Provisions of the act may have the effect of requiring increased contributions in future years.

Note 7: Income Taxes

Income tax expense consists of the following:

	Year Ended August 31, 1985	Year Ended August 31, 1984	Six Months Ended August 31, 1984	Year Ended February 29/28 1984 1983	
(Thousands of dollars)					
		(Unaudited)			
<i>Current</i>					
Federal		\$(1,962)	\$ 39	\$(3,692)	\$(8,801)
State	\$ 341	79	19	120	(116)
	<u>341</u>	<u>(1,883)</u>	<u>58</u>	<u>(3,572)</u>	<u>(8,917)</u>
<i>Deferred</i>					
Federal	2,741	3,521	877	5,100	5,976
State	32	114	77	73	75
	<u>2,773</u>	<u>3,635</u>	<u>954</u>	<u>5,173</u>	<u>6,051</u>
<i>Total provision (benefit)</i>	<u>\$3,114</u>	<u>\$1,752</u>	<u>\$1,012</u>	<u>\$1,601</u>	<u>\$(2,866)</u>



The sources of timing differences resulting in deferred income taxes and the tax effect of each consisted of the following:

(Thousands of dollars)	Year Ended August 31, 1985	Year Ended August 31, 1984	Six Months Ended August 31, 1984	Year Ended February 29/28 1984	Year Ended 1983
Depreciation	\$4,888	\$4,806	\$2,355	\$4,714	\$5,086
Capitalized interest		28			446
Capitalized sales tax		270		55	340
Plant closing reserve	200		68	404	179
Reductions due to net operating loss and tax credit carryforward	(2,315)	(1,469)	(1,469)		
<i>Total deferred provision</i>	<i>\$2,773</i>	<i>\$3,635</i>	<i>\$ 954</i>	<i>\$5,173</i>	<i>\$6,051</i>

An analysis of the difference between the actual tax expense and the expected expense using the federal statutory rate is set forth below:

(Thousands of dollars)	Year Ended August 31, 1985	Year Ended August 31, 1984	Six Months Ended August 31, 1984	Year Ended February 29/28 1984	Year Ended 1983
Federal tax at statutory rate	\$2,887	\$1,580	\$ 951	\$1,580	\$(1,442)
State taxes, net of federal tax benefit	134	104	52	104	(22)
Investment tax credit and other-net	93	68	9	(83)	(1,402)
<i>Total provision (benefit)</i>	<i>\$3,114</i>	<i>\$1,752</i>	<i>\$1,012</i>	<i>\$1,601</i>	<i>\$(2,866)</i>

The Company has net operating loss and investment tax credit carryforwards for income tax purposes of \$7,000,000 and \$156,000, respectively, at August 31, 1985. These carryforwards are available to offset future taxable income and taxes payable through 2000. Should these be utilized, the deferred tax liability will be increased by \$3,206,000.

Any tax adjustments attributable to the manufacturing subsidiaries of Univar for the periods prior to the spin-off will be borne by PENWEST. The consolidated tax returns of Univar Corporation, which include the manufacturing subsidiaries, have been audited by the Internal Revenue Service and settled through February 28, 1979.

#### Note 8: Leases

Certain of the Company's property, plant and equipment is leased under operating leases ranging from one to 20 years with options to renew for up to 20 additional years.

Rental expense under operating leases was as follows:

(Thousands of dollars)	Year Ended August 31, 1985	Year Ended August 31, 1984	Six Months Ended August 31, 1984	Year Ended February 29/28 1984	Year Ended 1983
Minimum rentals	\$1,142	\$1,009	\$ 505	\$1,020	\$ 747
Sublease rentals	(217)	(216)	(108)	(229)	(206)
<i>Total</i>	<i>\$ 925</i>	<i>\$ 793</i>	<i>\$ 397</i>	<i>\$ 791</i>	<i>\$ 541</i>

Future lease payments as of August 31, 1985, for non-cancellable operating leases having initial lease terms of more than one year, are as shown below:

Years ending August 31 (Thousands of dollars)	Operating Leases
1986	\$1,170
1987	990
1988	784
1989	598
1990	296
Thereafter	82
<i>Total minimum payments</i>	<i>\$3,920</i>

Total minimum lease payments for operating leases, as shown above, have not been reduced by minimum sublease rentals of \$812,000 due in the future under non-cancellable leases.



Note 9: Accounting Changes

In August 1985, PENWEST established salvage values of 10 percent on its malting manufacturing facilities effective September 1, 1984. Management believes this change in accounting estimate more closely reflects a reasonable long-range economic valuation of these manufacturing facilities.

The effect of this change is to decrease depreciation expense by \$905,000 in the fiscal year ended August 31, 1985. The lower depreciation expense increases net income by approximately \$485,000, or \$0.16 per fully diluted share.

Note 10: Quarterly Financial Data (Unaudited)

(Thousands of dollars except per share data)	Sales	Gross Margin	Net Income	Primary EPS	Fully Diluted EPS
<i>1984/85</i>					
First Quarter	\$ 35,892	\$ 4,795	\$ 420	\$0.14	\$0.14
Second Quarter	36,035	4,810	356	0.12	0.12
Third Quarter	36,711	5,602	765	0.25	0.25
Fourth Quarter	37,503	7,348	1,621	0.53	0.53
<i>Total</i>	<i>\$146,141</i>	<i>\$22,555</i>	<i>\$3,162</i>	<i>\$1.04</i>	<i>\$1.04</i>
<i>Six months ended August 31, 1984</i>					
First Quarter	\$ 37,619	\$ 5,660	\$ 502	\$0.18	\$0.18
Second Quarter	37,763	5,270	554	0.18	0.17
<i>Total-Two Quarters</i>	<i>\$ 75,382</i>	<i>\$10,930</i>	<i>\$1,056</i>	<i>\$0.36</i>	<i>\$0.35</i>
<i>1983/84</i>					
First Quarter	\$ 34,103	\$ 4,834	\$ 379		
Second Quarter	34,002	4,850	518		
Third Quarter	30,860	5,039	775		
Fourth Quarter	32,724	4,311	160		
<i>Total</i>	<i>\$131,689</i>	<i>\$19,034</i>	<i>\$1,832</i>		
<i>1982/83</i>					
First Quarter	\$ 36,700	\$ 5,223	\$ 308		
Second Quarter	33,448	3,798	(418)		
Third Quarter	29,170	2,407	( 91)		
Fourth Quarter	28,383	2,753	( 68)		
<i>Total</i>	<i>\$127,701</i>	<i>\$14,181</i>	<i>\$ (269)</i>		

The fourth quarter of fiscal year ended August 31, 1985 includes the full year impact of the change in salvage value accounting estimate discussed in Note 9.



Note 11: Effects of  
Inflation (Unaudited)

In accordance with generally accepted accounting principles, PENWEST financial statements are presented in terms of actual historical costs only. The following supplementary information, required by the Statement of Financial Accounting Standards No. 33, attempts to demonstrate the effects of changes in specific prices of certain assets used by the Company (current cost method) on financial statement reporting.

The current cost method uses price changes of specific assets (inventory and fixed assets) to measure the effects of inflation. Appropriate external cost indices and current construction cost information were used to restate these assets.

Measuring the effects of inflation requires the use of assumptions and estimates. No consideration has been given to technological or other improvements that would be made if operating capacity were replaced. In addition, the differing effects of inflation between different industries has not been taken into account. As such, the information provided, in light of its experimental nature, is not a precise indicator of inflationary effects.

Consolidated Supplemental Inflation Adjusted Income Statement

For The Fiscal Year Ended August 31, 1985 (Thousands of dollars)	As Reported in the Primary Statements	Specific Prices (Current Cost)
Net sales	\$146,141	\$146,141
Cost of sales	123,586	128,068
Operating expenses—net	9,020	9,021
Interest expense	7,259	7,259
	139,865	144,348
Income before taxes	6,276	1,793
Income taxes	3,114	3,114
Net income (loss)	\$ 3,162	\$ (1,321)
Depreciation and amortization included in cost of goods sold and other operating expenses above	\$ 6,735	\$ 9,061
Purchasing power gain from holding net monetary liabilities during the year		\$ 3,830
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year		\$ 3,648
Less effect of increase in general price level		3,599
Increase in specific prices over increase in general price level		\$ 49

At August 31, 1985, current cost of inventories was \$23,140 and current cost of property, plant and equipment, net of accumulated depreciation was \$151,761.



Five-Year Comparison of  
Selected Supplemental  
Financial Data Adjusted  
for Effects of Changing  
Prices

In average 1985 Fiscal Year Dollars (except "historical" amounts))

	Year Ended August 31, 1985	Six Months Ended August 31, 1984	Year Ended February 29/28		
(Thousands of dollars, except per-share data)			1984	1983	1982
<i>Net sales:</i>					
Historical	\$146,141	\$ 75,382	\$131,689	\$127,701	\$126,664
<i>Net income (loss):</i>					
Historical	3,162	1,056	1,832	(269)	7,348
Current cost	(1,321)	(3,329)	(9,058)	(10,214)	(2,280)
<i>Net income (loss) per share:</i>					
Historical	1.04	.36			
Current cost	(.44)	(1.20)			
Purchasing power gain from holding net monetary liabilities during the year	3,830	2,515	4,577	4,027	7,429
Increase in specific prices of inventories and properties over increase in general price level	3,648	2,715	5,951	6,775	16,582
<i>Net assets at year-end:</i>					
Historical	21,675	18,513	17,457	32,145	31,974
Current cost	93,298	98,674	106,481	122,481	124,007
<i>Market price per share at year-end:</i>					
Historical	9.63	10.00			
Average consumer price index	320.0	309.4	299.8	288.7	275.9



Board of Directors  
PENWEST, LTD.  
Bellevue, Washington

We have examined the consolidated balance sheet of PENWEST, LTD. and subsidiaries as of August 31, 1985, and the related consolidated statements of operations, changes in financial position, and shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of PENWEST, LTD. and subsidiaries for the six months ended August 31, 1984 and the combined financial statements of the manufacturing subsidiaries of Univar Corporation (Penick & Ford, Limited, Idaho Malting Company, Pacific Cogeneration, Inc., and Great Western Malting Export Corporation) for the years ended February 29, 1984 and February 28, 1983 were examined by other auditors whose report dated October 5, 1984 expressed an unqualified opinion on those statements.

In our opinion, the 1985 consolidated financial statements referred to above present fairly the financial position of PENWEST, LTD. and subsidiaries as of August 31, 1985, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Seattle, Washington  
October 2, 1985

*Ernst & Whinney*



Board of Directors	Richard E. Engebrecht President and Chief Operating Officer, Univar Corporation	Tod R. Hamachek President and Chief Executive Officer PENWEST, LTD.	N. Stewart Rogers Senior Vice President- Finance, Univar Corporation	Lowry Wyatt Consultant and Retired Senior Vice President Weyerhaeuser Company
	Russell E. Hamachek Chairman of Western Acquisitions Group, Inc., Retired Vice President, Univar Corporation and Retired President/CEO, Great Western Malting Co.	C. Calvert Knudsen Vice Chairman, MacMillan Bloedel Ltd.  Curtis P. Lindley Chairman of the Board PENWEST, LTD.	William K. Street President and CEO, The Ostrom Company  James H. Wiborg Chairman and Chief Executive Officer, Univar Corporation	
Officers	Tod R. Hamachek President and Chief Executive Officer	Franklin E. Olsen, Jr. Vice President-Employee Relations	Ronald B. Vogel Executive Vice President and General Manager of Great Western Malting Co.	
	Dale C. Leman Vice President-Finance Secretary Treasurer	H. Thomas Reed President and General Manager of Penick & Ford, Limited		
Committees	Executive Committee James H. Wiborg, Chairman Tod R. Hamachek C. Calvert Knudsen Curtis P. Lindley N. Stewart Rogers	Audit/Pension Committee N. Stewart Rogers, Chairman Richard E. Engebrecht Russell E. Hamachek William K. Street	Compensation Committee Lowry Wyatt, Chairman C. Calvert Knudsen William K. Street James H. Wiborg	
GREAT WESTERN MALTING Co.	Headquarters Foot of West 11th St. P.O. Box 1529 Vancouver, WA 98668 (206) 693-3661 (503) 285-7711	5945 South Malt Avenue Los Angeles, CA 90040	1666 Craft Road Pocatello, ID 83204	
PENICK & FORD, Limited	Headquarters 1001 First Street, S.W. Cedar Rapids, IA 52404 (319) 398-3700	1088 W. Sunnyside Road Idaho Falls, ID 83401		
PENWEST	Headquarters 300 One Bellevue Center 411 108th-Ave. N.E. Bellevue, WA 98004 (206) 462-6000			



Annual Meeting	2 p.m. Tuesday, January 21, 1986 12th Floor Auditorium Rainier Bank Tower Fifth Avenue and University Street Seattle, Washington		
Form 10-K.	The Company files an annual report with the Securities and Exchange Commission on Form 10-K, pursuant to the Securities Exchange Act of 1934. Shareholders may obtain a copy of this report without charge by writing:  Dale C. Leman, Vice President-Finance and Treasurer PENWEST, LTD. 300 One Bellevue Center 411-108th Ave. N.E. Bellevue, WA 98004		
Transfer Agent and Registrar	Seattle-First National Bank Stock Transfer Services Box 24186 Seattle, Washington 98124		
Legal Counsel	Shidler, McBroom, Gates & Lucas 999 Third Ave. Suite 3500 Seattle, Washington 98104		
Auditors	Ernst & Whinney 999 Third Ave., Suite 3300 Seattle, Washington 98104		
Investor Relations Counsel	Corporate Communications, Inc. Suite 412 200 West Mercer Seattle, Washington 98119		
Stock Price Data	Common stock of PENWEST LTD. began trading on March 1, 1984. Traded National Over-The-Counter NASDAQ Symbol: PENW		
		Market Price High      Low	
	Six Months Ended		
	August 31, 1984		
	Quarter Ended May 31	7 ¾	5 ½
	Quarter Ended August 31	11 ¾	6 ¼
	1984/85		
	Quarter Ended November 30	10 ¼	8 ¼
	Quarter Ended February 28	11 ½	7 ¾
	Quarter Ended May 31	12 7/8	9 ¾
	Quarter Ended August 31	11 ¼	9 ¼



