F O R M 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended June 30, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________________ to

Commission File Number 1-652

UNIVERSAL CORPORATION

(Exact name of Registrant as specified in its charter)

State or other jurisdiction of incorporation or organization - VIRGINIA

I.R.S. Employer Identification Number - 54-0414210

Address of principal executive offices - HAMILTON STREET AT BROAD
RICHMOND, VIRGINIA 23230

Telephone Number - (804) 359-9311

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

Title of each class	Name of each exchange on which registered	Outstanding Shares at September 21, 1994
8% Cumulative Preferred	None	4
Additional Preferred Stock	None	None
Common Stock, no par value	New York	35,001,185

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by "X" 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. Yes X No

Indicate by "X" mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes X No

The aggregate market value of Registrant's voting stock held by non-affiliates was $764,000,000 at September 21, 1994.

INFORMATION INCORPORATED BY REFERENCE

Certain information in the September 23, 1994 Proxy Statement for the Annual Meeting of Shareholders of Registrant is incorporated by reference into Part III hereof.

PART I

ITEM 1. BUSINESS

A. The Company

Universal Corporation (which together with its subsidiaries is referred to herein as "Universal" or the "Company") is the world's largest independent leaf tobacco dealer and has additional operations in agri-products and lumber and building products. Universal's tobacco operations have been the principal focus of the Company since its founding in 1918, and for the fiscal year ended June 30, 1994, such operations accounted for 73% of revenues and 75% of operating profits. Its agri-products and lumber and building products operations accounted for 15% and 12% of revenues and 8% and 17% of operating profits, respectively, during the same period. See Note 5 to Consolidated Financial Statements for additional business segment and geographical information.

B. Description of Tobacco Business

General

Universal is the world's largest independent leaf tobacco dealer. This business involves selecting, buying, shipping, processing, packing, storing, and financing leaf tobacco in the United States and other tobacco growing countries for the account of, or for resale to, manufacturers of tobacco products throughout the world. Universal does not manufacture cigarettes or other consumer tobacco products. Most of its tobacco revenues are derived from sales of processed tobacco and from fees and commissions for specific services for its customers.

Timely and efficient processing of leaf tobacco is a service of continuing importance to the Company's customers, the tobacco product manufacturers, as the quality of the Company's finished product substantially affects the cost and quality of the manufacturer's production. The Company's processing includes grading in the factories, blending, separation of leaf lamina from the stems, and packing to precise moisture targets for proper aging. To accomplish these tasks according to exacting customer specifications requires considerable skill and significant investment in plants and machinery.

The Company's sales are predominantly flue-cured and burley tobaccos. Universal estimates that in fiscal 1994 it purchased or processed approximately 33% of the flue-cured and burley tobacco produced in the aggregate in the United States, Brazil, Zimbabwe, and Malawi. In addition, Universal maintains a presence, and in certain cases a leading presence, in virtually all other tobacco growing regions in the world. Management believes that its leading position in the leaf tobacco industry is based on its broad market presence, its development of processing equipment and technologies, its solid financial position, and its ability to meet customer demand through internal growth and selected acquisitions.

Universal has a leading position in worldwide dark tobacco markets. Its operations are located in the major producing countries (i.e., the United States, the Dominican Republic, Indonesia, and northern Brazil) and other smaller markets. These types of tobacco are typically used for cigars and smokeless tobacco products.

Although consumption of tobacco products in the United States and certain industrialized countries has been declining, consumption in most developing countries has been rising. Moreover, as a result of the elimination of trade barriers in Far Eastern markets and the opening of markets in Eastern and Central Europe, a significant amount of the world's tobacco markets are open to free trade compared to ten years ago.

Reports and speculation with respect to the alleged harmful physical effects of cigarette smoking, restrictions on the use of tobacco products in public places and in advertising, and increases in sales and excise taxes have all had some adverse effect upon cigarette sales in the U.S. and in certain foreign countries. The U. S. Environmental Protection Agency has classified environmental tobacco smoke as a "Group A" ("known human") carcinogen, which action has been challenged in court by the Company and others. The U.S. Occupational Safety and Health Administration has proposed a standard on indoor air quality which if adopted would substantially limit smoking in the workplace. Also in the U.S., legislation has been proposed to increase the excise tax on cigarettes, and the U.S. Food and Drug Administration is considering regulating nicotine as a drug.

Litigation seeking damages for health problems alleged to have resulted from the use of tobacco is pending against the leading United States manufacturers of consumer tobacco products. It is not possible to predict the outcome of such litigation or what effect adverse determinations against the manufacturers might have on the business of the Company.

Domestic Tobacco Business

Universal is represented by its buyers on all significant tobacco markets in the United States, including flue-cured tobacco markets in Virginia, North Carolina, South Carolina, Georgia, and Florida; Light air-cured (burley and Maryland) tobacco markets in Kentucky, Tennessee, Virginia, North Carolina, and Maryland; air-cured tobacco markets in Kentucky and Virginia; dark fired and dark air-cured markets in Virginia, Tennessee, and Kentucky; and cigar/chewing tobacco markets in Connecticut, Pennsylvania, and Wisconsin.

In the United States, flue-cured and burley tobacco is generally sold at public auction to the highest bidder. In addition, the price of such tobacco is supported under an industry-funded federal program that also restricts tobacco production through a quota system. The price support system has operated recently to cause U.S. grown tobacco to be more expensive than most non-U.S. tobacco, resulting in lower exports and declining quotas. Industry leaders are currently exploring options including program changes to improve the competitive position of U.S. leaf. Other factors affecting the competitive position of U.S. tobacco include improved methods of production and quality in the U.S. and in foreign countries. In 1994, imports of foreign leaf declined in response to legislation enacted in 1993 which requires that cigarettes manufactured in the U.S. contain at least 75% U.S. grown tobacco. Although this legislation has been found in violation of GATT, new measures limiting tobacco imports have been proposed. Despite the recent decline in imports, inventories of U.S. flue-cured and burley tobacco held by various stabilization cooperatives under the price support program increased in 1994. This has resulted in higher revenues to the Company for processing and storing such tobacco, offsetting reduced processing volume from the Company's regular customers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations".

Foreign Tobacco Business

Universal's business of selecting, buying, shipping, processing, packing, storing, financing, and selling tobacco is, in addition to its domestic operations, conducted in varying degrees in Argentina, Belgium, Brazil, Canada, the Commonwealth of Independent States (the former Soviet Union), Colombia, the Dominican Republic, Ecuador, France, Germany, Greece, Guatemala, Hong Kong, Hungary, India, Indonesia, Italy, Malawi, Mexico, the Netherlands, Paraguay, the People's Republic of China, the Philippines, Spain, Switzerland, Tanzania, Thailand, Turkey, Uganda, the United Kingdom, Zambia, and Zimbabwe.

In a number of countries including Brazil, Hungary, Italy, Mexico, and Thailand, Universal contracts directly with tobacco farmers, in some cases before harvest, and thereby takes the risk that the delivered quality and quantity will meet market requirements. The price may be set by negotiation with farmers' groups or with agencies of the local government. In some countries Universal also provides agronomy services and advances for fertilizers and supplies. Tobacco in Zimbabwe, Malawi, Canada, and to a certain extent in India, is purchased under a public auction system.

In southern Brazil, the Company has made substantial capital investments and the profitability of the operations there can materially affect the operating results of the Company. The Company owns three tobacco leaf processing facilities in southern Brazil. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources".

Sales to foreign customers are made by Universal's sales force and through the use of commissioned agents. Most foreign customers are long-established firms or government monopolies.

Universal's foreign operations are subject to the usual international business risks, including unsettled political conditions, expropriation, import and export restrictions, exchange controls, and currency fluctuations. During the tobacco season in many of the countries enumerated above, Universal has advanced substantial sums, has guaranteed local loans, or has guaranteed lines of credit in substantial amounts for the purchase of tobacco. Most tobacco sales are denominated in U.S. dollars, thus limiting the Company's currency risk.

Recent Developments and Trends

For recent developments and trends in the Company's tobacco business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Seasonality

The purchasing and processing aspects of Universal's tobacco business are seasonal in nature. The United States flue-cured tobacco markets usually open the third week of July and last for approximately four months. The United States burley tobacco markets open in late November and last for approximately two and one-half months. Tobacco in Brazil is usually purchased from January through May. Other markets around the world last for similar periods, although at different times of the year, and this has resulted in less overall seasonality in the Company's business.

Universal normally operates its processing plants for approximately seven to nine months of the year. It purchases most of the tobacco which it redries and packs in the U.S. in the eight-month period, July through February. During this period, inventories of green tobacco, inventories of redried tobacco and trade accounts receivable normally reach peak levels in succession. Current liabilities, particularly short-term notes payable to banks, commercial paper, and customer advances are a means of financing this expansion of current assets and normally reach their peaks in this period. At the end of the Company's fiscal year (June 30), these seasonal expansions in the United States are normally not reflected in the components of working capital. Seasonal expansions are reflected at that time, however, for Universal's operations in Brazil, Italy and Mexico.

Customers

A material part of the Company's tobacco business is dependent upon a few customers, the loss of any one of whom would have an adverse effect on the Company. The Company has long-term contracts (which under certain circumstances may be amended or terminated) with a few of these customers, and, while there are no formal continuing contracts with the others, the Company has done business with each of its major customers for over 35 years. For the year ended June 30, 1994, tobacco sales to Philip Morris Companies, Inc. accounted for greater than 10% of consolidated revenues. See Note 12 to Consolidated Financial Statements. Five other customers accounted for approximately 12%.

Universal had orders from customers in excess of $231 million for its tobacco inventories at June 30, 1994. Based upon historical experience, it is expected that at least 90% of such orders will be delivered during the fiscal year ending June 30, 1995. Typically, delays in the delivery of orders result from changing customer requirements. Orders from customers at June 30, 1993, were in excess of $245 million, of which over 90% was delivered in the following fiscal year. The level of purchase commitments for tobacco fluctuates from period to period and is significant only to the extent that it reflects short-term changes in demand for redried tobacco.

Competitors

Competition among leaf tobacco dealers is based on the price charged for products and services as well as the dealer's ability to meet customer specifications in the buying, processing, and financing of tobacco. Universal has many processing plants equipped with the latest technology and a world-wide buying organization of tobacco specialists which, management believes, give it a competitive edge. Competition varies depending on the market or country involved. Normally, there are from five to seven buyers on each of the United States flue-cured and burley markets, representing both cigarette manufacturers and dealers. The number of competitors in foreign markets varies from country to country, but there is competition in all areas to buy the available tobacco. The principal competitors in the industry that do not manufacture consumer tobacco products and that compete with the Company on the United States markets and on foreign markets are as follows: Monk-Austin, Inc., Dibrell Brothers, Incorporated, Export Leaf Tobacco Company, and Standard Commercial Tobacco Company. Of the significant competitors in the United States that are not also manufacturers, Universal believes that it ranks first in total U.S. market share and also first in total worldwide market share.

C. Description of Agri-Products Business

The Company's agri-products business involves the selecting, buying, shipping, processing, storing, financing, distribution, importing and exporting of a number of products including tea, rubber, sunflower seeds, nuts, dried fruit, canned meats, spices and seasonings. During the past fiscal year, the Company acquired two additional companies in the dried fruit and nut import and distribution business and discontinued its coffee trading activities.

The emphasis of the Company's agri-products business is on value-adding activities and/or trading of physical products in markets where a real function can be performed in the supply system from the countries of origin to the consuming industries. In a number of countries, longstanding sourcing arrangements for certain products or value-adding activities through modern processing facilities (tea, spices and sunflower seeds) contribute to the stability and profitability of the business. Traders are subject to strict trading limits to minimize speculative risks and allow effective management control. Seasonal effects on trading are limited.

The Company provides various products to numerous large and small customers in the food and food packaging industry and in the rubber and tire manufacturing industry. Generally, there are no formal continuing contracts with these customers, although business relationships may be longstanding. No single customer accounts for 10% or more of the Company's consolidated agri-products revenues.

Competition among traders in the agricultural products in which Universal deals is based on price as well as the ability to meet customer requirements in buying, processing, financing and delivery. The number of competitors in each market varies from country to country but there is competition for all products and markets in which the Company operates. Some of the main competitors are: Agway, Akbar Brothers, Andrew Weir Commodities, Atlantic, Ennar, Cargill, Dahlgren, E.D. and F. Mann, EP Lambert Co., Finlay, Metallgeschellschaft/SAFIC Alcan, Stassens, Suiker Unie, Symington, and Verstegen.

For recent developments and trends in the Company's agri-products business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

D. Description of Lumber and Building Products Business

The Company is engaged in the lumber and building products business in the Netherlands and Belgium, where its subsidiaries distribute and sell lumber and related building products through a network of regional outlets, mainly to the building and construction market. The Company's lumber and building products business has a leading market share in the Netherlands and significant operations in Belgium. The majority of lumber products are sourced outside the Netherlands, principally in North America, Scandinavia, Eastern and Western Europe, and the Far East.

The lumber and building products business is seasonal to the extent that winter weather may temporarily interrupt the building industry which in turn affects this segment. The lumber and building products business is also subject to exchange risks and other normal market and operational risks associated with lumber operations centered in Europe including general economic conditions in the countries where the Company is located and related trends in the building and construction industries.

The wholesale and distribution activities necessarily include carrying inventories to meet customers' demands for rapid delivery. The level of inventories is based on a balance between providing service and continuity of supply to customers and achieving the highest possible turnover. The Company does not provide extended payment terms to its customers. No single customer accounts for 10% or more of the Company's consolidated lumber and building products revenues.

The Company's lumber and building products sales accounted for approximately 17% of the total market volume for the Netherlands, which is slightly above the market share of its largest competitor, Pont-Meyer N.V. Ten additional competitors account for approximately 20% to 30% of the market share and the balance is held by approximately 200 smaller competitors. The primary factors of competition are quality and price, product range, and speed and reliability of logistic systems. The Company believes that its full geographical market coverage, its automated inventory control and billing system, and efficient logistics give it a competitive advantage in the Netherlands. The Company's share of the highly fragmented Belgium lumber and building products market is approximately 3%.

For recent developments and trends in the Company's lumber and building products business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

E. Employees

The Company employed approximately 25,000 employees on average throughout the world during the fiscal year ended June 30, 1994. This figure is estimated because many of the non-salaried personnel are seasonal employees.

Universal believes that in the United States approximately 1,300 of the non-salaried employees of its consolidated tobacco subsidiaries are represented by unions. Most of these are seasonal employees. The Company's labor relations have been good.

F. Research and Development

No material amounts were expended for research and development during the fiscal years ended June 30, 1994, 1993, and 1992.

G. Patents, etc.

The Company holds no material patents, licenses, franchises or concessions.

H. Environmental Matters

Compliance with Federal, state and local provisions regarding the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not anticipated to have, any material effect upon the capital expenditures, earnings or competitive position of the Company.

ITEM 2. PROPERTIES

Universal owns the land and building located at Hamilton and Broad Streets in Richmond, Virginia, where it is headquartered. The building contains approximately 83,000 square feet of floor space. The Company also owns a smaller office building nearby which contains approximately 11,300 square feet of floor space.

In its domestic tobacco processing operations, Universal owns six large, modern, high volume plants which have the capacity to thresh, separate, quality grade and redry tobacco. Four of these plants are located in North Carolina (Wilson, Henderson, Rocky Mount and Smithfield), one plant is in Danville, Virginia, and one plant is in Lexington, Kentucky. The Henderson plant has a production capacity of over 140 million pounds of green tobacco and 500,000 square feet of floor space. The Wilson plant has approximately 500,000 square feet of floor space and a production capacity of over 130 million pounds of green tobacco. The remaining four plants each have a floor space of 300,000 to 400,000 square feet and an average annual production capacity of over 100 million pounds of green tobacco. Universal also owns a processing facility in Dinwiddie County, Virginia with 250,000 square feet of floor space.

Universal's foreign subsidiaries, some of which are not majority-owned, own tobacco processing plants in the following locations: a large processing plant in Canada; one large processing plant and one smaller plant in Malawi; three large processing plants in Italy; and plants in the Philippines, Greece, Hungary, Thailand and Turkey. Universal's two plants in South Korea recently have been sold. In Brazil, Universal owns three large plants. In Zimbabwe the operations of two of the Company's four plants have recently been combined with one plant being utilized for storage.

The facilities described above are engaged primarily in processing tobacco used by manufacturers in the production of cigarettes. In addition, Universal owns plants that process cigar/chewing tobaccos in Lancaster, Pennsylvania; Kenbridge, Virginia; the Dominican Republic; Colombia; Indonesia; and Brazil. It operates a sheet manufacturing plant in the Netherlands and has access to one in Germany.

Universal owns or leases extruder plants (baling operations), packaging stations, and warehouse space in the tobacco-growing states and abroad. Large baling plants are owned in Lumberton and Rocky Mount, North Carolina; Danville, Virginia; Greeneville, Tennessee; and Lexington and Bowling Green, Kentucky.

The processing and extruder plants are operated seasonally. The large processing plants usually are in operation from seven to nine months out of the year.

A portion of Universal's tobacco inventory is stored in public storages. The following storages are owned:

(a) Wilson, North Carolina - 12 storages covering 460,000 square feet;

(b) Smithfield, North Carolina - 7 storages covering 240,000 square feet;

(c) Henderson, North Carolina - 6 storages covering 178,500 square feet;

(d) Rocky Mount, North Carolina - 3 storages covering 133,000 square feet;

(e) Danville, Virginia - 4 storages covering 153,000 square feet;

(f) Lexington, Kentucky - 5 storages covering 127,000 square feet; and

(g) Kenbridge, Virginia - 7 storages covering 243,000 square feet.

Additional storage space is leased in Danville, Virginia; Lexington, Kentucky; and in Smithfield, Henderson and Rocky Mount, North Carolina. Lancaster Leaf Tobacco Company of Pennsylvania, Inc. owns storage space with a capacity of 19,300 tons of tobacco and leases additional storage space. In other U.S. tobacco areas, Universal owns or leases storages on a smaller scale. In foreign areas storage space is owned or leased on a comparable scale.

The Company believes that the above-listed properties are maintained in good operating condition and are suitable and adequate for its purposes at current sales levels. Facilities owned are not subject to indebtedness except for those in Dinwiddie County and Kenbridge, Virginia, which are financed in part through governmental industrial development authorities.

The Company's agri-products subsidiaries own and operate a tea blending plant in the Netherlands, a tea warehouse and office in Sri Lanka, spice blending facilities in the Netherlands, a bean processing plant in Park Rapids, Minnesota and sunflower seed processing plants in Colby, Kansas and Fargo, North Dakota. These latter two facilities are financed in part through governmental industrial development authorities. The Company has leased agri-products trading offices around the world, including locations in New York, London, Warsaw, Rotterdam, Indonesia, Kenya and Malawi.

The lumber and building products division owns or leases 37 sales outlets in the Netherlands and six sales outlets in Belgium as well as three trading warehouses and a building components manufacturing facility, all in the Netherlands. Most of these locations are owned.

ITEM 3. LEGAL PROCEEDINGS

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the quarter ended June 30, 1994, there were no matters submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Dividend and market price information is as follows:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1994					
Cash dividends declared		$.22	$.24	$.24	$.24
Market price range:	High	25 1/4	27 7/8	26 1/4	19 5/8
	Low	21 3/4	22 3/8	18 1/2	17 3/4
1993					
Cash dividends declared		.20	.22	.22	.22
Market price range:	High	29 3/8	34 1/4	33 3/4	29 7/8
	Low	$25 1/2	$25 3/8	$26 1/4	$24 1/8

The Company expects the past trend of dividend payments to continue, subject, however, to its future earnings and financial condition. At June 30, 1994 there were 4,022 holders of record of the registrant's common stock which is traded on the New York Stock Exchange.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Comparison of Selected Financial Data For Years Ended June 30

(In thousands except per share data, ratios, and number of common shareholders)	1994	1993	1992	1991	1990
Summary of Operations					
Gross revenues	$2,975,050	$3,047,213	$2,989,018	$2,896,464	$2,389,346
Income from continuing operations before extraordinary item and cumulative effect of change in accounting principle	38,564	80,242	70,721	56,374	47,287

Net income	$9,158	$80,242	$70,721	$20,224	$45,105
Return on beginning common shareholders' equity	2.2%	26.6%	18.1%	5.1%	11.7%
Per common share					
Income from continuing operations before extraordinary item and cumulative effect of change in accounting principle	$1.09	$2.39	$2.15	$1.72	$1.41
Net income	$ .26	$2.39	$2.15	$ .62	$1.35
Financial Position at Year End					
Current ratio	1.37	1.38	1.39	1.34	1.60
Total assets	$1,667,043	$1,564,188	$1,261,449	$1,275,621	$1,011,012
Long-term obligations	298,117	281,807	190,211	160,014	142,878
Working capital	318,029	300,531	273,299	223,450	244,039
Shareholders' equity	$377,474	$417,913	$301,696	$389,829	$397,059
General					
Number of common shareholders	4,022	4,132	4,210	4,157	4,288
Weighted average common shares outstanding (used as basis for computation of E.P.S.)	35,502	33,599	32,822	32,792	33,522
Dividends per common share	$ .94	$ .86	$ .79	$ .755	$ .73
Book value per common share	$ 10.78	$ 11.73	$ 9.18	$ 11.89	$ 12.08

Amounts for 1990 and 1991 have been reclassified to include the results of operations and financial position of Lawyers Title as discontinued operations. Fiscal year 1990 reflects the cumulative effect of the change in accounting principle ($5.1 million benefit) resulting from the adoption of SFAS 96 "Accounting for Income Taxes." Per common share information reflects December 1991 two-for-one stock split. Fiscal year 1991 reflects an extraordinary loss ($3.8 million) resulting from a provision for the uncollectability of a receivable from the Iraqi State Tobacco Monopoly as a result of the Persion Gulf war. Fiscal year 1994 reflects the cumulative effect of the change in accounting principle ($29.4 million) resulting from the adoption of SFAS 106 "Employer's Accounting for Postretirement Benefits Other Than Pensions" as well as a $17.5 million ($11.8 million net of tax) restructuring charge.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity & Capital Resources

Universal Corporation's financial condition remained strong during a year marked by extremely difficult market conditions. During the year, the Company continued to expand its operations with acquisitions in all segments of the business. It also took advantage of attractive market prices to repurchase 632,400 shares of common stock at a total cost of $11.4 million. In August 1993, the Company issued $100 million of 6.14% notes in a private placement with a final maturity in the year 2000. The proceeds of this issue were used to reduce short-term borrowings and, in part, represented the prefunding of acquisitions completed later in the year. In addition, in December 1993, the Company finalized a new $100 million revolving credit facility.

The facility is available to support the issuance of commercial paper.

In fiscal year 1994, the Company recorded charges for the implementation of a restructuring plan and for the adoption of a change in accounting principle. These charges to income and the stock repurchase reduced shareholders' equity, causing an increase in the Company's ratio of long-term debt to total capitalization. The stock repurchase and restructuring were undertaken with due consideration to maintaining the Company's financial flexibility and strength; and, although certain measures of financial strength have declined, management believes that they are well within appropriate limits and that the long-term benefits to the Company justified the actions.

The Company's working capital increased by approximately 6% to $318 million while its current ratio has remained stable over the last four years at approximately 1.4. The increase in working capital relates primarily to acquisitions that occurred during the year. These additions were offset, in part, by the restructuring provision. Despite the worldwide oversupply of tobacco, the Company's tobacco inventories were relatively stable at $436 million, although uncommitted tonnage in inventory was lower than at this time last year.

The Company's capital needs are predominantly short term in nature and relate to working capital needs for financing crop purchases. The working capital needs of the Company are seasonal within each geographical region. Generally, the peak need of domestic tobacco operations occurs in the second quarter of the fiscal year. Foreign tobacco operations tend to have higher requirements in the remainder of the year. The geographical dispersion and the timing of working capital needs permit the Company to predict its general level of cash requirements during the year. Each geographic area follows the cycle of buying, processing, and shipping of the tobacco crop. The timing of individual customer shipping requirements may change the level or duration of crop financing from year to year. The working capital needs of individual agri-products operations fluctuate during the year, depending on the product, the country of origin, and the Company's inventory position; however, the total working capital requirements of agri-products during the year remain relatively stable due to offsetting seasonal patterns. Working capital needs of lumber and building products in Europe follow a pattern similar to that of the construction industry in which the third quarter of the fiscal year is typically sluggish. The Company finances its working capital needs with short-term lines of credit, exchange contracts for export prefinance, customer advances, and trade payables.

Long-term investments are reflected in "Net cash used for investing activities." Over the last three years, total investment needs of $209 million were provided by cash flow from operating activities and the issuance of common stock in 1993 supplemented by long-term debt.

Investments during 1994 included acquisitions of a Hungarian tobacco processing facility, two small dealers in agri-products, and a door and window producer in the Netherlands. These purchases required a net cash payment of $21.9 million. Over the last three years, net cash paid for acquisitions totaled approximately $126 million. Those transactions were highlighted by the purchase of The Casalee Group S.A. in 1993 and a Brazilian tobacco supplier in 1992. In August 1994, the Company agreed to acquire the premier distributor of value-added softwood products in Holland. For its year ended December 31, 1993 the distributor had approximately $65 million in revenues. The transaction is subject to satisfactory completion of due diligence reviews and will initially be funded with existing credit lines.

During the last several years, the Company completed a major capital expenditure program that included a new processing plant and new threshing and separating equipment in the United States and upgraded processing lines in Brazil. Annual capital spending related to that program and others averaged approximately $42 million in 1992 and 1993. Following the completion of the program in 1994 capital expenditures fell to approximately $24 million. Although no major program is currently underway, the Company continues to improve its processing operations with incremental projects. At June 30, 1994, the Company had no material commitments for capital expenditures.

The Company believes that its financial resources are adequate to support its capital needs. The Company and its subsidiaries currently have $1.5 billion in uncommitted lines of credit of which approximately $1 billion was available at June 30, 1994 to support future seasonal working capital needs in the United States and several foreign countries. In addition, the Company has $100 million in an unused committed facility under a revolving credit agreement. This facility is also available to support the future issuance of commercial paper. The Company's debt ratings are investment grade. Excess cash flow from operations after dividends, capital expenditures, and long-term debt payments will be available to reduce short-term debt, improve the Company's liquidity, or fund expansion.

Results of Operations

Fiscal Year 1994 Compared to 1993

Consolidated revenues in fiscal year 1994 declined $72 million or 2.4% compared to last year. The decline was mitigated by the inclusion of twelve months of Casalee's 1994 sales versus the six weeks included last year. Tobacco revenues declined $109 million primarily due to the poor quality U.S. flue-cured crop and reduced worldwide demand for all growths. Lumber and building product revenues declined in fiscal year 1994 principally due to exchange rate differences. An increase of $53 million in agri-product revenues in fiscal year 1994 was attributable to increased nut and canned meat trading.

Tobacco operating profit of $82.5 million in fiscal year 1994 was net of a $17.5 million restructuring charge. Excluding the restructuring charge, tobacco operating profits were down $46 million or almost 32% compared to last year. Included in fiscal year 1994 results were $27 million of inventory write-downs compared to approximately $14 million in fiscal year 1993. Tobacco operating results in fiscal 1994 reflect a number of adverse factors in the U.S., including a poor quality flue-cured crop, domestic content legislation, and pending excise tax increases on cigarettes. In addition to these domestic issues, there was a worldwide glut of tobacco as demand softened in the face of record crops. The culmination of these factors was depressed prices and pressure on margins. Total domestic tobacco purchases in fiscal year 1994 were down primarily due to lower flue-cured purchases. However, processing volumes were comparable to the prior year as reduced cigarette manufacturer orders were offset by significantly larger volumes of tobacco processed for the Stabilization Cooperatives. In addition to the adverse effects of the current crop volumes, domestic tobacco results in fiscal 1994 were down on a comparative basis to last year due to customer-mandated hold-over shipments in the first quarter of fiscal 1993. International tobacco profits for fiscal year 1994 were down principally due to the pressure on margins which reduced sales profits and resulted in significant inventory write-downs.

Lumber and building product operations reported higher operating results in fiscal year 1994 due to increased prices for hard and softwoods. Operating profits of the lumber and building products segment in fiscal year 1993 included a pre-tax gain of $3.8 million realized on the sale of the Company's flatboard finishing operation. Excluding the gain, lumber and building products operating profits increased almost 50% in 1994. Agri-product operating results were down approximately 15% in fiscal year 1994 compared to last year. Improved results in nuts and sunflower seeds were more than offset by shortfalls in tea and coffee. Sunflower seed operations benefited from increased demand and fewer supplies, while tea operations were adversely affected by a weak market. Losses in coffee trading in the current fiscal year reflected the continuing volatility of those markets and the decision by the Company to terminate this business.

Selling, general and administrative expenses increased $31 million as a result of the inclusion of Casalee's operations for the full fiscal year in 1994. This increase was slightly offset by declines in selling and shipping expenses on reduced volumes in fiscal year 1994. Interest expense in fiscal year 1994 increased $12.3 million due to increased inventory levels, longer holding periods, and increased levels of higher rate long-term financing. The Company's effective tax rate for fiscal year 1994 was 26.9% compared to 36.8% last year. The decrease in 1994 was due to a higher proportion of foreign earnings which were deemed permanently reinvested compared to 1993. In the future, the Company's effective tax rate is expected to approximate statutory rates. See Note 10 for more information. The Company's equity in net income of unconsolidated affiliates increased over 40% compared to last year due to the sale of idle facilities in Korea in fiscal 1994.

In June of 1994, the Company adopted a major restructuring plan for its tobacco operations. The plan includes the rationalization and consolidation of operations worldwide. The tobacco merchant industry over the past few years has been undergoing significant competitive changes. Consolidations within the industry have reduced the number of competitors. At the same time, customer pressure has increased to reduce costs and continue to deliver high quality products and services. Shortly after the acquisition of Casalee, the Company embarked on a study of its worldwide operations to identify areas of duplication. Included in the $17.5 million restructuring charge was approximately $16 million of severance provisions for approximately 700 of the Company's employees. The severance costs will be funded by cash provided by operations. The plan is expected to be implemented by the end of fiscal year 1995. Estimated savings after the plan is fully implemented are estimated to be $19 million per year, related primarily to reduced total compensation.

In the first quarter of fiscal 1994, the Company adopted SFAS 106 and elected to record a one-time charge of $29.4 million; subsequently, in the third quarter the Company amended its postemployment benefit plans. The effect of the amendment is expected to substantially offset the effect on earnings from

SFAS 106. See Note 3 for more information.

Fiscal Year 1993 Compared to 1992

Consolidated revenues were up $58 million or about 2% in fiscal 1993 compared to 1992. Increases in revenues were realized in tobacco and lumber and building products segments, while revenues in agri-products were down slightly. Net income for fiscal year 1993 increased by nearly $10 million or 13%. This improvement was largely attributable to increases in foreign tobacco profits. Results of operations for the year included the results of Casalee for the six-week period from the date of its acquisition through March 31, 1993. Amounts for individual income statement captions were not materially affected. Casalee reported a loss of $3.5 million for the six-week period, principally due to seasonally low sales activity combined with inventory carrying costs and overhead.

Tobacco operating profits increased to $146 million in fiscal year 1993. Foreign tobacco reflected improved results from Brazil and from sales of African tobaccos.   With the acquisition of Casalee and its Brazilian operations, the significance of this geographic region to consolidated results has increased. Results of U.S. tobacco operations were up slightly in 1993 versus 1992 due to increased processing efficiencies and shipments delayed, at customers' requests, to the first quarter of 1993. The total volume of tobacco bought and processed was down compared to 1992. The majority of this decrease was in burley tobacco where orders were down almost 15%.

Overall operating profits of European lumber operations were down slightly for the year. During the year, the continuing European recession, along with increased labor costs and higher material prices, created a difficult market climate for the lumber distribution segment. Consolidation of a number of regional branches and the installation of a computer network led to improved inventory control and reduced overhead. The acquisition of a small window and door frame company also improved results in 1993.

Operating profits of agri-products operations were down slightly compared to those of fiscal year 1992. Each significant agri-product group made positive contributions to the results of the current year. In tea, drought conditions led to an improvement in the supply/demand relationship and in operating results. The effect of these market conditions was complemented by the Company's strategy of offering expanded and improved services to its customers. Sunflower seeds also benefited from reduced supply, as frost reduced the U.S. crop and led to improved selling prices. Other agri-product operations including rubber, coffee, spices and specialty seeds were up over 1992 as the Company took advantage of better trading opportunities available in fiscal year 1993.

Selling, general and administrative expenses reflected an increase in 1993 of $18 million or 8% over 1992. Approximately $5 million of the increase was due the inclusion of Casalee in the fourth quarter of fiscal year 1993. The balance of the increase was primarily due to higher selling and shipping costs incurred on higher volumes of foreign tobaccos sold. Interest expense continued the downward trend of the last several years primarily reflecting the reduction of short- term borrowing rates. There was no significant change in the Company's effective tax rate compared to 1992. The rate increased approximately two percentage points principally due to reduced tax benefits in fiscal year 1993 on foreign earnings deemed permanently reinvested.

Other Information Regarding Trends and Management's Actions

Last year's report discussed the growth potential of China and the former East Bloc. During the past year, there was economic and political uncertainty in several countries in Eastern Europe. As the former East Bloc has attempted economic reform, a number of new situations have been encountered, including privatization, exchange controls, tax policies, import / export policies and hyperinflation. As these regions go through change, we believe it is important to be participants in the tobacco activities while, at the same time, limiting our financial exposure.

Over the past few years, restrictions on cigarette smoking in public places and advertising have increased substantially. During the past year, particularly in the United States, the tobacco industry has been under unprecedented legislative and bureaucratic attack. There have been proposed increases in excise taxes, restrictions on the importation of foreign leaf, lawsuits regarding secondhand smoke and the Food and Drug Administration's review of nicotine levels in cigarettes. These efforts have adversely affected U.S. cigarette consumption.

The worldwide balance between tobacco supply and demand was one of oversupply during the current year. Consequently, tobacco prices have been under pressure. Progress has been made at limiting production in the current year in a number of foreign countries. In the United States, stabilization inventories are in excess of reserve requirements, and crop size may have to be reduced. Over the short term the surplus of tobacco will continue to put pressure on margins and earnings. The Company is not expected to immediately return to the record level of earnings reported in fiscal 1993; however, efforts to control leaf production and to further enhance operating efficiencies that the Company has achieved through restructuring are some of the important keys to long-term improvements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Universal Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
Years Ended June 30, 1994, 1993 and 1992

(In thousands of dollars except per share data)	1994	1993	1992
Sales and other operating revenues	$2,975,050	$3,047,213	$2,989,018
Costs and expenses			
Cost of goods sold	2,576,807	2,635,560	2,608,684
Selling, general and administrative expenses	278,527	247,325	229,450
Restructuring charge	17,500		

Interest	58,387	46,087	49,807
	2,931,221	2,928,972	2,887,941
Income before income taxes and other items	43,829	118,241	101,077
Income taxes	11,804	43,455	35,265
Minority interests	130	(749)	(267)
Income from consolidated operations	31,895	75,535	66,079
Equity in net income of unconsolidated affiliates	6,669	4,707	4,642
Income before cumulative effect of change in accounting principle	38,564	80,242	70,721
Cumulative effect of change in accounting principle	(29,406)		
Net income	9,158	80,242	70,721
Per common share			
Income before cumulative effect of change in accounting principle	1.09	2.39	2.15
Cumulative effect of change in accounting principle	(.83)		
Net income	$ .26	$ 2.39	$ 2.15

See accompanying notes.

Universal Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

June 30, 1994 and 1993

(In thousands of dollars)	1994	1993
ASSETS		
Current		
Cash and cash equivalents	$164,520	$119,693
Accounts and notes receivable	368,989	345,766
Accounts receivable - unconsolidated affiliates	28,113	20,098
Inventories-at lower of cost or market:		
Tobacco	436,033	431,140
Lumber and building products	83,441	63,386
Agri-products	60,132	56,004
Other	8,753	18,811
Prepaid income taxes	10,095	
Deferred income taxes	5,530	3,606

Other current assets	20,423	28,431
Total current assets	1,186,029	1,086,935
Real estate, plant and equipment - at cost		
Land	22,607	21,004
Buildings	166,111	155,652
Machinery and equipment	350,426	347,569
	539,144	524,225
Less accumulated depreciation	269,955	246,450
	269,189	277,775
Other assets		
Goodwill	124,286	119,717
Other intangibles	27,089	20,080
Investments in unconsolidated affiliates	26,298	25,745
Deferred income taxes	3,494	2,193
Other noncurrent assets	30,658	31,743
	211,825	199,478
	$1,667,043	$1,564,188

See accompanying notes.

Universal Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

June 30, 1994 and 1993

(In thousands of dollars)	1994	1993
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Notes payable and overdrafts	$531,209	$426,251
Accounts payable	199,280	237,574
Accounts payable - unconsolidated affiliates	34,810	25,402
Customer advances and deposits	51,671	52,672
Accrued compensation	13,366	21,017
Provision for restructuring	15,500	
Income taxes payable	6,217	3,936
Current portion of long-term obligations	15,947	19,552
Total current liabilities	868,000	786,404
Long-term obligations	298,117	281,807

Postretirement benefits other than pensions	48,969	
Other long-term liabilities	57,156	40,592
Deferred income taxes	12,361	35,020
Minority interests	4,966	2,452
Commitments and contingent liabilities		
Shareholders' equity		
Preferred stock, $100 par, 8% cumulative, authorized 75,000 shares, issued and outstanding 4 shares		
Additional preferred stock, no par value, authorized 5,000,000 shares, none issued or outstanding		
Common stock, no par value, authorized 50,000,000 shares, issued and outstanding 35,001,185 shares (35,631,485 at June 30, 1993)	75,287	86,672
Retained earnings	317,344	341,523
Foreign currency translation adjustments	(15,157)	(10,282)
Total shareholders' equity	377,474	417,913
	$1,667,043	$1,564,188

Universal Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 1994, 1993 and 1992

(In thousands of dollars)	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$9,158	$80,242	$70,721
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	29,406		
Restructuring charge ($17,500 less cash payments of $2,000)	15,500		
Depreciation	37,086	32,773	29,169
Amortization	7,790	2,878	2,975
Deferred taxes	(471)	4,731	705
Translation loss-net	6,718	2,434	5,605
Other	(3,963)	(8,119)	(8,620)
	101,224	114,939	100,555
Changes in operating assets and liabilities net of effects from purchase of businesses:			

Accounts and notes receivable	(29,998)	(55,298)	77,207
Inventories and other current assets	440	(933)	(130,029)
Income taxes	(7,712)	(4,288)	(3,500)
Accounts payable and other accrued liabilities	(36,824)	10,250	7,051
Net cash provided by operating activities	27,130	64,670	51,284
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(23,728)	(37,474)	(47,129)
Purchase of businesses (net of cash acquired)	(21,861)	(84,850)	(19,034)
Sales of property, plant and equipment	4,035	6,935	9,760
Other	507	(827)	4,307
Net cash used in investing activities	(41,047)	(116,216)	(52,096)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of short-term debt - net	107,147	80,315	18,952
Repayment of short-term debt classified as long-term June 30, 1993	(100,000)		
Repayment of long-term debt	(22,829)	(40,948)	(31,803)
Issuance of long-term debt	119,000	5,820	63,441
Issuance (purchase) of common stock	(11,437)	70,943	1,576
Dividends paid	(32,775)	(28,220)	(25,600)
Net cash provided by financing activities	59,106	87,910	26,566
Effect of exchange rate changes on cash	(362)	655	(2,616)
Net increase in cash and cash equivalents	44,827	37,019	23,138
Cash and cash equivalents at beginning of year	119,693	82,674	59,536
CASH AND CASH EQUIVALENTS AT END OF YEAR	$164,520	$119,693	$82,674
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$53,761	$41,483	$44,473
Income taxes - net of refunds	$19,767	$39,539	$28,501

See accompanying notes.

Universal Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended June 30, 1994, 1993 and 1992

(In thousands of dollars)	1994	1993	1992
COMMON STOCK:			
Balance at beginning of year	$86,672	$15,597	$13,914
Issuance of common stock	52	70,579	109
Exercise of stock options		496	1,576
Common shares repurchased	(11,437)		(2)
Balance at end of year	75,287	86,672	15,597
RETAINED EARNINGS:			
Balance at beginning of year	341,523	290,766	377,932
Net Income	9,158	80,242	70,721
Cash dividends declared ($.94 per share in 1994; $.86 in 1993; $.79 in 1992)	(33,337)	(29,485)	(25,946)
Distribution of title insurance shares*			(131,941)
Balance at end of year	317,344	341,523	290,766
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:			
Balance at beginning of year	(10,282)	(4,667)	(5,136)
Translation adjustments for the year	(7,552)	(8,400)	728
Allocated income taxes	2,677	2,785	(259)
Balance at end of year	(15,157)	(10,282)	(4,667)
NET UNREALIZED INVESTMENT GAINS:			
Balance at beginning of year			3,119
Net unrealized gains for the year			4,705
Distribution of title insurance shares*			(7,824)
Balance at end of year			0
SHAREHOLDERS' EQUITY AT END OF YEAR	$377,474	$417,913	$301,696

See accompanying notes.

*Equivalent to the net assets of Lawyers Title at October 1, 1991

Universal Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1994

Note 1 - ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of all controlled domestic and foreign subsidiaries. All material intercompany items and transactions have been eliminated. The fiscal years of foreign subsidiaries generally end March 31 or April 30 to facilitate timely reporting. The Company uses the equity method of accounting for its investments in affiliates which generally are owned less that 50%. However, due to exchange controls which restrict the remittance of dividends and governmental and other uncertainties, affiliates in Zimbabwe are accounted for under the cost method.

Translation of Foreign Currencies

The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into U.S. dollars using exchange rates in effect at period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

The financial statements of foreign subsidiaries located in highly inflationary economies are remeasured as if the functional currency were the U.S. dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments which are included in net income. Exchange losses in 1994, 1993 and 1992 resulting from foreign currency transactions were $6.8, $1.6 and $4.1 million, respectively (including $6.7, $2.4 and $5.6 million of translation losses related to subsidiaries located in highly inflationary economies) and are included in the respective statements of income.

Inventories

Inventories of tobacco and agri-products are valued at the lower of specific cost or market. In determining lower of cost or market for agri-products, an entire position, i.e., tea, including forward purchase and sales contracts, is considered. Net unrealized losses by position are charged to income. However, no recognition is given to net unrealized gains. All other inventories are valued principally at lower of average cost or market.

Depreciation

Depreciation expense is based upon historical cost and the estimated useful lives of the assets. Depreciation of property used in domestic tobacco operations is calculated using the declining balance method in the early years and the straight-line method thereafter. All other properties are generally depreciated using the straight-line method. Estimated useful lives of properties range from three to forty years.

Income Taxes

The Company provides deferred income taxes on temporary differences arising from employee benefit accruals, depreciation, deferred compensation, and undistributed earnings of consolidated subsidiaries and unconsolidated affiliates not permanently reinvested. At June 30, 1994 the cumulative amount of undistributed earnings of consolidated subsidiaries on which no provision for U.S. income taxes had been made was $ 47.9 million. It is not practical to determine the amount of deferred income tax liabilities that would result had such earnings been actually repatriated.

Goodwill and Other Intangible Assets

Goodwill and other intangibles include the excess of the purchase price of acquired companies over the net assets, convenants not to compete and pension intangibles. Goodwill and other intangibles are amortized using the straight-line method over periods not exceeding 40 years. Accumulated amortization at June 30, 1994, and 1993 was $11.3 and $3.9 million, respectively.

Consolidated Statements of Cash Flows

For purposes of these statements, the Company considers all highly liquid investments, with a maturity of three months or less at the time of purchase, to be cash equivalents.

Fair Values of Financial Instruments

The fair values of the Company's long-term obligations have been estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amount of all other current assets and liabilities as reported in the balance sheet at June 30, 1994 and 1993, which qualify as financial instruments, approximate their fair values.

Postretirement Benefits Other Than Pensions

On July 1, 1993, the Company adopted SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions". The initial effect of adopting the statement was recorded as a cumulative change in accounting principle. See Note 3.

Reclassification

Amounts in prior years' statements have been reclassified to be reported on a consistent basis with the current year's presentation.

Note 2 - PENSION PLANS

The Company and its subsidiaries have several defined benefit pension plans covering United States and foreign salaried employees and certain other employee groups. These plans provide retirement benefits based primarily on employee compensation and years of service. The Company's funding policy for domestic plans is to make contributions currently to the extent deductible under existing tax laws and regulations, subject to the full-funding limits of the Employee Retirement Income Security Act of 1974. Foreign plans are funded in accordance with local practices. Domestic and foreign plan assets consist primarily of fixed income securities and equity investments. Prior service costs are amortized equally over the average remaining service period of employees. Information regarding net pension cost and the funded status of domestic and foreign plans was as follows:

Pension costs

	Domestic			Foreign		
	1994	1993	1992	1994	1993	1992
Service cost for benefits earned during the period	$2,925	$2,617	$2,361	$2,392	$2,134	$1,885
Interest cost on projected benefit obligation	6,489	6,053	5,614	5,210	5,245	4,592
Actual return on plan assets	(5,872)	(7,829)	(5,861)	(11,629)	(5,929)	(5,145)
Net amortization and deferral	1,258	3,358	1,348	5,240	(234)	37
Total pension cost	$4,800	$4,199	$3,462	$1,213	$1,216	$1,369

Funded status

Domestic - March 31 measurement date

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1994	1993	1994	1993
Vested benefit obligation	$68,047	$60,767	$5,280	$5,085
Accumulated benefit obligation	68,888	61,677	6,521	5,988
Projected benefit obligation	84,707	78,337	9,699	8,053
Plan assets at fair value	75,839	72,010		
Plan assets less than				

projected benefit obligation	(8,868)	(6,327)	(9,699)	(8,053)
Unrecognized net (asset) liability at transition	(4,320)	(4,919)	637	716
Unrecognized prior service costs	949	2,383	1,701	494
Unrecognized net loss	16,217	13,235	3,017	3,220
Additional minimum liability			(2,177)	(2,365)
Prepaid (accrued) pension cost	$3,978	$4,372	$(6,521)	$(5,988)

Foreign - April 30 measurement date

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1994	1993	1994	1993
Vested benefit obligation	$62,303	$59,639	$8,787	$8,408
Accumulated benefit obligation	70,368	62,727	10,609	10,004
Projected benefit obligation	75,916	67,392	11,583	11,089
Plan assets at fair value	81,881	73,563	3,692	3,417
Plan assets in excess of (less than) projected benefit obligation	5,965	6,171	(7,891)	(7,672)
Unrecognized net (asset) liability at transition	(6,309)	(7,215)	34	76
Unrecognized net loss (gain)	978	291	142	29
Additional minimum liability			(273)	(217)
Accrued pension cost	$634	$(753)	$(7,988)	$(7,784)

SFAS 87 "Employers' Accounting for Pensions," required the Company to recognize an additional minimum liability of $2.4 and $2.6 million for the unfunded accumulated benefit obligation in 1994 and 1993, respectively. An equal amount was recognized as an intangible asset in those years.

Assumptions used in the computations were:

	1994	1993	1992
Discount rate:			
Domestic	7.25%	7.75%	8.25%
Foreign	6.00%	7.00%	8.10%
Rate of increase in future compensation levels:			
Domestic	5.50%	6.00%	6.00%
Foreign	4.50%	5.00%	5.25%

Expected long-term rate of return on plan assets:			
Domestic	8.75%	8.50%	8.50%
Foreign	7.00%	7.00%	8.25%

Note 3 - POSTRETIREMENT BENEFITS

The Company provides postretirement health and life insurance benefits for eligible U.S. employees attaining specific age and service requirements. The health plan is funded by the Company as the costs of the benefits are incurred and contains cost-sharing features such as deductibles and coinsurance. The Company funds the life insurance plan with deposits to a retired life reserve account held by an insurance company. The Company has made changes to the plans that have reduced benefits in the past and reserves the right to amend or discontinue the plans at any time.

Effective July 1, 1993, the Company adopted SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which requires that the estimated costs of these benefits be expensed over the employees' active service period rather than as paid. In accordance with SFAS 106 the Company elected to recognize the obligation as a one-time charge of approximately $29 million (net of $18 million in taxes) or $.83 per share during the first quarter of the year.

Effective January 1, 1994, the Company amended the benefit plans for future retirees which reduced the Company's postretirement obligation by approximately $14 million (net of tax benefits). The amortization of this reduction is expected to substantially offset the net periodic postretirement benefit expense from SFAS 106 through fiscal year 2001.

Net periodic postretirement benefit expense was as follows:

	1994
Service cost	$1,268
Interest cost	3,255
Return on plan assets	(141)
Net amortization and deferral	(1,527)
Net periodic postretirement benefit expense	$2,855

Prior to fiscal year 1994 the Company recognized expense in the year the benefits were paid. In fiscal year 1993 and 1992 approximately $1 million of expenses was recorded annually.

The following table sets forth the components of the postretirement benefit obligation:

June 30 measurement date	1994
Accumulated postretirement benefit obligation:	
Retirees	$21,080
Fully eligible active plan participants	7,812
Other active plan participants	5,555
Accumulated postretirement benefit obligation	34,447
Fair value of plan assets	3,414
Accumulated postretirement benefit obligation in excess of plan assets	31,033
Unrecognized prior service cost	22,119
Unrecognized net loss	(4,183)
Accrued postretirement benefit cost	$48,969

The accumulated postretirement benefit obligation was determined using an assumed annual increase in the health care cost trend rate of 13% for fiscal year 1995 and is assumed to decrease gradually to 6.5% by fiscal year 2005. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated benefit obligation by approximately $2 million and the aggregate of the service and interest cost components of net periodic postretirement benefit expense for the fiscal year by approximately $100 thousand. The postretirement benefit obligation was determined using an assumed discount rate of 7.25% and an estimated long-term salary increase rate of 5.50%.

Note 4 - LONG-TERM OBLIGATIONS

	1994	1993
6.14% Senior notes payable in five annual installments from 1996 to 2000	$100,000	
Notes payable classified as long-term		$100,000
9.25% Medium-term notes due February 2001	100,000	100,000
Medium-term notes due January 1997 at an average rate of 7.3%	50,000	50,000
Other notes due through 1999 at various interest rates ranging from 5.5% to 12%	25,209	43,199
Notes due through 1998 at variable rates, currently 11%	16,587	
4.26% Promissory note due August 1995	15,000	
Revenue bonds due through 2001 at various interest rates below prime	7,268	8,160
	314,064	301,359
Less current portion	(15,947)	(19,552)
Long-term obligations	$298,117	$281,807

The fair value of the Company's long-term obligations was approximately $303 million at June 30, 1994 and $301 million at June 30, 1993. Certain notes are denominated in local currencies of foreign subsidiaries. Effective U.S. dollar interest rates vary based on exchange rate fluctuations.

Senior notes:

On August 24, 1993, the Company issued $100 million of 6.14% senior notes due in five equal installments beginning in fiscal 1997. The proceeds from these notes were used to repay $100 million of notes payable which were classified as long-term at June 30, 1993. In connection with these notes, the Company must meet certain financial covenants including maintainence of $300 million minimum shareholders' equity and restrictions on the issuance of long-term debt.

Other information:

Maturities of long-term debt for the fiscal years succeeding June 30, 1994 are as follows: 1995-$15,947; 1996-$28,161; 1997-$77,676; 1998-$22,218; 1999-$23,566; 2000 and after-$146,496.

Note 5 - BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates principally in three business segments:

Tobacco

Selecting, buying, shipping, processing, packing, storing and financing leaf tobacco in the United States and other tobacco growing countries for the account of, or for resale to, manufacturers of tobacco products throughout the world.

Lumber and Building Products

Distribution of lumber and building products to the building and construction market in Europe, primarily in Holland.

Agri-Products

Trading and processing tea, and sunflower seeds and trading other products from the countries of origin to various customers in the consuming industries throughout the world.

Generally, sales between business segments and geographic areas are priced on the same basis as sales to unaffiliated customers. Sales between business segments are insignificant.

Operating profit is total revenue less operating expenses. In computing operating profit, none of the following items have been added or deducted: general corporate expenses, interest expense, income taxes and equity in net income of unconsolidated affiliates.

Identifiable assets are those of the Company that are identified with the operations in each industry group. Corporate assets are principally the fixed assets of the Company's administrative offices, certain notes receivable and corporate cash and cash equivalents.

U.S. Export Sales by Geographic Area

	1994	1993	1992
Europe	$182,140	$302,733	$314,383
Asia	203,197	168,075	155,336
Other Areas	27,321	33,895	56,272
	$412,658	$504,703	$525,991

Business Segments	Tobacco	Lumber and Building Products	Agri-products	Consolidated
1994				
Gross revenues	$2,175,644	$368,463	$430,943	$2,975,050
Operating profit (net of restructuring charge)	82,522	18,768	9,224	110,514
General corporate expenses				(8,298)
Interest expense				(58,387)
Income before income tax and other items				43,829
Identifiable assets	1,205,173	262,442	171,372	1,638,987
Investments in unconsolidated affiliates				26,298
Corporate assets				1,758
Total assets				1,667,043
Depreciation and amortization	38,943	4,376	1,557	44,876
Capital expenditures	18,640	4,265	823	23,728
1993				
Gross revenues	2,284,936	384,631	377,646	3,047,213
Operating profit	146,199	16,427	10,898	173,524
General corporate expenses				(9,196)
Interest expense				(46,087)
Income before income tax and other items				118,241
Identifiable assets	1,180,168	217,129	138,310	1,535,607
Investments in unconsolidated affiliates				25,745
Corporate assets				2,836
Total assets				1,564,188
Depreciation and amortization	29,574	4,684	1,393	35,651
Capital expenditures	30,963	4,931	1,580	37,474

1992

Gross revenues	2,235,210	370,186	383,622	2,989,018
Operating profit	134,534	14,651	11,453	160,638
General corporate expenses				(9,754)
Interest expense				(49,807)
Income before income tax and other items				101,077
Identifiable assets	862,971	225,411	148,017	1,236,399
Investments in unconsolidated affiliates				21,995
Corporate assets				3,055
Total assets				1,261,449
Depreciation and amortization	26,315	4,081	1,748	32,144
Capital expenditures	$ 39,914	$ 4,793	$2,422	$ 47,129

Consolidated Operations by Geographic Area	United States	South/Central America	Europe	Other Areas	Eliminations	Consolidated
1994						
Revenues from unaffiliated customers	$1,532,592	$217,534	$1,088,693	$136,231		$2,975,050
Transfers between geographic areas	1,658	123,898	34,588	34,903	$(195,047)	
Gross revenues	1,534,250	341,432	1,123,281	171,134	(195,047)	2,975,050
Operating profit (net of restructuring charge)	44,686	20,691	49,221	(4,084)		110,514
General corporate expenses						(8,298)
Interest expense						(58,387)
Income before income taxes and other items						43,829
Identifiable assets	575,425	469,415	754,696	107,456	(268,005)	1,638,987
Investments in unconsolidated affiliates						26,298
Corporate assets						1,758
Total assets						1,667,043
1993						
Revenues from unaffiliated customers	1,690,484	187,790	1,014,450	154,489		3,047,213
Transfers between geographic areas	824	102,891	19,580	33,838	(157,133)	
Gross revenues	1,691,308	290,681	1,034,030	188,327	(157,133)	3,047,213
Operating profit	71,820	39,930	56,593	6,688	(1,507)	173,524
General corporate expenses						(9,196)
Interest expense						(46,087)
Income before income taxes and other items						118,241
Identifiable assets	497,706	471,892	613,998	107,545	(155,534)	1,535,607
Investments in unconsolidated affiliates						25,745
Corporate assets						2,836
Total assets						1,564,188

1992

Revenues from unaffiliated customers	1,759,594	141,118	897,058	191,248		2,989,018
Transfers between geographic areas	2,361	110,931	20,367	53,370	(187,029)	
Gross revenues	1,761,955	252,049	917,425	244,618	(187,029)	2,989,018
Operating profit	65,777	30,647	54,101	11,111	(998)	160,638
General corporate expenses						(9,754)
Interest expense						(49,807)
Income before income taxes and other items						101,077
Identifiable assets	$498,135	$245,420	$452,061	$112,581	$(71,798)	1,236,399
Investments in unconsolidated affiliates						21,995
Corporate assets						3,055
Total assets						$1,261,449

Note 6 - UNCONSOLIDATED AFFILIATES

The combined results of operations of the Company's unconsolidated affiliates, primarily foreign tobacco, are summarized below:

	Equity Basis			Cost Basis		
	1994	1993	1992	1994	1993	1992
Gross revenues	$291,892	$308,731	$402,399	$226,589	$149,169	$167,554
Gross profit	46,663	44,195	39,689	46,216	30,112	26,735
Net income	$12,052	$10,565	$10,696	$6,454	$1,446	$4,675

The combined financial position of the Company's unconsolidated affiliates, primarily foreign tobacco, are summarized below:

	Equity Basis		Cost Basis	
	1994	1993	1994	1993
Current assets	$104,723	$149,197	$45,048	$88,093
Non-current assets	31,552	29,058	19,402	16,495
Current liabilities	88,093	130,726	38,467	92,305
Non-current liabilities	$ 12,034	$ 13,130	$ 6,858	$ 6,070

Note 7 - UNAUDITED QUARTERLY FINANCIAL DATA

Due to the seasonal nature of the tobacco, lumber and building products, and agri-products businesses, it is always more meaningful to focus on cumulative rather than quarterly results.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1994				
Sales and other operating revenues	$690,739	$863,674	$749,587	$671,050
Gross profit	115,459	109,840	80,631	90,527

Income (loss) before cumulative effect of change in accounting principle		18,459	20,210	9,343	(9,448)
Net income (loss)		(10,947)	20,210	9,343	(9,448)
Per common share					
Income (loss) before cumulative effect of change in accounting principle		.52	.57	.26	(.27)
Net income (loss)		(.31)	.57	.26	(.27)
Cash dividends declared		.22	.24	.24	.24
Market price range:	High	25 1/4	27 7/8	26 1/4	19 5/8
	Low	21 3/4	22 3/8	18 1/2	17 3/4
1993					
Sales and other operating revenues		826,581	888,294	836,688	495,650
Gross profit		118,717	117,556	95,476	79,158
Net income		23,776	35,249	19,082	2,135
Per common share					
Net income		.72	1.08	.58	.06
Cash dividends declared		.20	.22	.22	.22
Market price range:	High	29 3/8	34 1/4	33 3/4	29 7/8
	Low	$25 1/2	$25 3/8	$26 1/4	$24 1/8

The Company recorded $16.1 and $12.5 million in pre-tax writedowns of tobacco inventory and purchase commitments in the fourth quarter of 1994 and 1993, respectively. The fourth quarter of 1994 includes a $17.5 million pre-tax restructuring charge.

The third quarter of 1993 includes a pre-tax gain of $3.8 million on the sale of the U.S. flatboard finishing company.

Note 8 - SHARE PURCHASE RIGHTS PLAN

In 1989, the Company distributed as a dividend one preferred share purchase right for each outstanding share of common stock. As adjusted for the two-for-one split of the common stock effective December 16, 1991, each right entitles the shareholder to purchase one-half of one-hundredth of a share of Series A Junior Participating Preferred Stock ("Preferred Stock") at an exercise price of $110, subject to adjustment. The rights will become exercisable only if a person or group acquires or announces a tender offer for 20% or more of the Company's outstanding common stock. The Board of Directors may reduce this threshold percentage to 10%. If a person or group acquires the threshold percentage of common stock, each right will entitle the holder, other than the acquiring party, to buy shares of common stock or Preferred Stock having a market value of twice the exercise price. If the Company is acquired in a merger or other business combination, each right will entitle the holder, other than the acquiring person, to purchase securities of the surviving company having a market value equal to twice the exercise price of the rights. Following the acquisition by any person of more than the threshold percentage of the Company's outstanding common stock but less than 50% of such shares, the Company may exchange one share of common stock for each right (other than rights held by such person). Until the rights become exercisable, they may be redeemed by the Company at a price of one cent per right. The rights expire on February 13, 1999.

Note 9 - EXECUTIVE STOCK PLAN

Under the Company's Executive Stock Plan (the Plan) executives, key employees, and directors may receive grants and/or awards including common stock, restricted stock, options qualifying as incentive or non-qualified stock options and "reload options". Reload options allow a participant to exercise an option and receive new options by exchanging previously acquired common stock for the shares received from the exercise. One new option may be granted for each share exchanged with an exercise price equivalent to the market price at the date of exchange. Up to 3.2 million shares of the Company's common stock may be issued under the Plan. Pursuant to the Plan non-qualified and reload options have been granted to executives and key employees at an option price equal to the fair market value of a share of common stock on the date of grant.

Options granted under the Plan become exercisable one year after date of grant except those granted in December 1991 which became exercisable November 1, 1992. Options granted after December 4, 1991 qualify for reload options which are fully exercisable six months after the date of the grant. All options expire ten years after date of grant.

Further information regarding options in the Plan for 1994, 1993 and 1992 is summarized as follows:

For the year ended:	1994	1993	1992	Price Range
July 1				
Outstanding	644,064	689,242	204,300	$11.06-28.00
Granted	12,000	116,805	590,000	27.38-28.00
Exercised		(141,032)	(81,158)	11.06-27.38
Canceled		(20,951)	(23,900)	11.06-28.00
June 30				
Outstanding	656,064	644,064	689,242	11.06-28.00
Exercisable	650,064	588,231	99,242	11.06-28.00
Available for future grant	2,334,376	1,633,746	229,600	

Note 10 - INCOME TAXES

The components of income before income taxes and other items consist of the following:

Year Ended June 30,	1994	1993	1992
United States	$12,545	$45,772	$36,119
Foreign	31,284	72,469	64,958
	$43,829	$118,241	$101,077

Income taxes consist of the following:

Year Ended June 30,	1994	1993	1992
Current			
United States	$5,165	$18,025	$14,865
State and local	1,065	4,676	2,896
Foreign	6,045	16,023	16,799
	12,275	38,724	34,560
Deferred			
United States	(5,083)	118	(1,366)
State and local	652	(132)	(83)
Foreign	3,960	4,745	2,154
	(471)	4,731	705
Total	$11,804	$43,455	$35,265

A reconciliation of the statutory U.S. federal rates is as follows:

Year Ended June 30,	1994	1993	1992
Tax at statutory rate	35.0%	34.0%	34.0%
State income taxes - net of federal benefit	2.5	2.4	1.9
Permanently reinvested earnings	(9.6)	(.8)	(1.1)
Increase in federal statutory rate	2.5		
Other - net	(3.5)	1.2	.1
	26.9%	36.8%	34.9%

In August, 1993, Congress passed the "Omnibus Budget Reconciliation Act of 1993" which, among other things, increased the corporate tax rate from 34% to 35% retroactive to January 1, 1993 which increased tax expense approximately $1.5 million in the first quarter.

Significant components of deferred tax liabilities and assets as of June 30 were as follows:

	1994	1993
Liabilities		
Nonrepatriated earnings	$29,132	$21,278
Tax over book depreciation	6,637	12,834
All other	8,058	10,832
Total deferred tax liability	43,827	44,944
Assets		
Employee benefit plans	20,327	485
Foreign currency translation	4,990	4,113
Deferred compensation	4,220	5,895
All other	10,953	5,230
Total deferred tax asset	40,490	15,723
Less current portion	(5,530)	(3,606)
Net deferred tax asset	34,960	12,117
Net deferred tax liability	$8,867	$32,827

Note 11 - SHORT-TERM CREDIT FACILITIES

The Company maintains lines of credit in a number of foreign countries. Foreign borrowings are generally in the form of exchange contracts and overdraft facilities at rates competitive in the countries in which the Company operates. Generally, each foreign line is available only for borrowings related to operations of a specific country. At June 30, 1994, unused, uncommitted lines of credit were approximately $1.0 billion. In addition, the Company maintains a $100 million revolving credit facility to support short-term borrowings including the issuance of commercial paper.

Note 12 - COMMITMENTS AND OTHER MATTERS

A material part of the Company's tobacco business is dependent upon a few customers, the loss of any one of whom would have an adverse effect on the Company. For the years ended June 30, 1994, 1993 and 1992, one customer accounted for revenues of $900 million, $1.1 billion and $1.2 billion, respectively.

At June 30, 1994, total exposure under guarantees issued for banking facilities of unconsolidated affiliates was $32.6 million. Other commitments and contingent liabilities were approximately $152 million and relate principally to Common Market guarantees.

At June 30, 1994, the Company's equity in the underlying net assets of its unconsolidated equity affiliates was approximately equal to its investment. Consolidated retained earnings at June 30, 1994 include undistributed earnings of unconsolidated affiliates of $25 million (including additional deferred income tax benefits of $3 million).

The Company's operating subsidiaries within each industry segment perform credit evaluations of customers' financial condition prior to the extension of credit. Generally, accounts and notes receivable are not secured with collateral and are due within 30 days. When collection terms are extended for longer periods, interest and carrying costs are recovered. Credit losses are provided for in the financial statements and such amounts have not been material except for the write-off of an account receivable from Iraq in fiscal year 1991. In the lumber and building product operations in Europe, it is traditional business practice to insure accounts and notes receivable against uncollectibility.

At June 30, accounts and notes receivable by operating segment were as follows (in millions of dollars):

	1994	1993
Tobacco	$246	$233
Lumber and Building Products	71	70
Agri-products	52	43
	$369	$346

Note 13 - ACQUISITIONS

On February 12, 1993, the Company acquired substantially all of the tobacco operations of The Casalee Group SA (Casalee) through the purchase of all of Casalee's capital stock and certain of its subsidiaries at a cost of approximately $100 million. The acquisition has been accounted for by the purchase method of accounting. For financial reporting purposes the accounts of Casalee are on a March 31 fiscal year basis, and are consolidated with the Company's June 30 fiscal year. Accordingly, the consolidated results of operations for the fiscal year ended June 30, 1993 include the results of Casalee from the acquisition date thru March 31, 1993. Unaudited pro forma consolidated results of operations for the years ended June 30, 1993 and 1992 as though Casalee had been acquired at the beginning of the fiscal year follow:

	1993	1992
Gross revenues	$3,230,206	$3,170,413
Net income	59,498	68,449

Earnings per share*	$ 1.67	$ 1.92

* Weighted average shares outstanding includes 2.7 million shares assumed to have been issued at the beginning of 1992.

Note 14 - RESTRUCTURING CHARGE

In the fourth quarter of fiscal year 1994, plans were developed to reduce the Company's worldwide cost structure including the consolidation of certain tobacco operations and the reduction in the number of employees. The consolidated statement of income includes an estimated $17.5 million of pretax charge ($11.8 million net of tax benefits, or $.33 per share) related to the plan. This charge includes $16 million for the expected costs of severance payments related to approximately 700 employees throughout the Company. As of June 30, 1994, payments of $2 million, primarily for severance and related costs of approximately 200 employees, had been recorded as a reduction of the provision for restructuring.

REPORT OF ERNST & YOUNG LLP,
INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Universal Corporation

We have audited the accompanying consolidated balance sheets of Universal Corporation and subsidiaries as of June 30, 1994 and 1993, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1994. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Universal Corporation and subsidiaries at June 30, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions in fiscal year 1994.

/s/ Ernst & Young LLP
Richmond, Virginia
August 4, 1994

REPORT OF MANAGEMENT
To the Shareholders of Universal Corporation

The consolidated financial statements of Universal Corporation have been prepared under the direction of management, which is responsible for their integrity and objectivity. The statements have been prepared in accordance with generally accepted accounting principles and, where appropriate, include amounts based on judgements of management.

Management is also responsible for maintaining an effective system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and properly recorded. This system is continually reviewed and is augmented by written policies and procedures, the careful selection and training of qualified personnel, and an internal audit program to monitor its effectiveness.

Ernst & Young LLP, independent auditors, are retained to audit our financial statements. Their audit provides an objective assessment of how well management discharged its responsibility for fairness in financial reporting.

The Audit Committee of the Board of Directors is composed solely of outside directors. The committee meets periodically with management, the internal auditors and the independent auditors to assure that each is properly discharging its responsibilities. Ernst & Young LLP and the internal auditors have full and free access to meet privately with the Audit Committee to discuss accounting controls, audit findings and financial reporting matters.

/s/ Hartwell H. Roper

Hartwell H. Roper

Vice President & Chief Financial Officer

August 4, 1994

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

For the three years ended June 30, 1994, there were no changes in and disagreements between the Company and its independent auditors on any matter of accounting principles, practices or financial statement disclosures.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Refer to the caption, "Election of Directors" in the September 23, 1994 Proxy Statement which information is incorporated herein by reference.

Name	Position	Age	Fiscal Year Elected
H. H. Harrell	Chairman and Chief Executive Officer	55	1991
A. B. King	President and Chief Operating Officer	48	1993
H. H. Roper	Vice President and Chief Financial Officer	46	1993
W. L. Taylor	Vice President and Chief Administrative Officer	53	1993
K. M. L. Whelan	Vice President and Treasurer	47	1993
J. M. White, III	Secretary and General Counsel	55	1988
W. J. Coronado	Controller	40	1991
J. Godthelp	President and Chairman of the Board of Deli Universal, Inc.	60	1990
R. J. Zalzneck	Senior Vice President of Universal Leaf Tobacco Company, Incorporated	48	1990

There are no family relationships between any of the above officers.

Term of Office: All officers are elected until the next annual shareholders meeting or until their successors are elected.

Footnotes:

(1) H. H. Harrell was elected chairman and chief executive officer of Universal Leaf Tobacco Company, Incorporated in 1989. He was elected president in 1988.

(2) A. B. King was elected president in 1991. He was elected executive vice president in 1988 of Universal Leaf Tobacco Company, Incorporated.

(3) H. H. Roper was elected vice president in 1990 and controller in 1988.

(4) W. L. Taylor was elected vice president in 1991. He joined Universal Leaf Tobacco Company, Incorporated in 1990 as senior vice president and chief administrative officer. Prior to 1990, for more than five years he was a partner with the law firm of McGuire, Woods, Battle and Boothe.

(5) K. M. L. Whelan joined the company in 1993. Prior to joining the company she was elected vice president of financial reporting in 1989 and assistant treasurer in 1986 of James River Corporation.

(6) W. J. Coronado was elected controller in 1990 and assistant controller in 1988 of Universal Leaf Tobacco Company, Incorporated.

(7) J. Godthelp was elected executive vice president in 1986 of Deli Universal, Inc., a subsidiary of the Company.

(8) R. J. Zalzneck joined the Company in 1988.

ITEM 11. EXECUTIVE COMPENSATION

Refer to the caption, "Stock Ownership," in the September 23, 1994 Proxy Statement which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Refer to the caption, "Certain Relationships," in the September 23, 1994 Proxy Statement which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Refer to the caption, "Certain Relationships and Related Transactions," in the September 23, 1994 Proxy Statement which information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2) - The following consolidated financial statements of Universal Corporation and Subsidiaries are included in Item 8:

Consolidated Statements of Income for the years ended June 30, 1994, 1993 and 1992

Consolidated Balance Sheets at June 30, 1994 and 1993

Consolidated Statements of Cash Flows for the years ended June 30, 1994, 1993 and 1992

Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 1994, 1993 and 1992

Notes to Consolidated Financial Statements for the years ended June 30, 1994, 1993 and 1992

Report of Ernst & Young LLP, Independent Auditors

The following consolidated financial statement schedule of Universal Corporation and Subsidiaries is included in Item 14(d):

Schedule IX Short-term borrowings

(3) Listing of Exhibits

3.1 Restated Articles of Incorporation (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990, File No. 1-652).

3.2 Bylaws (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1993, File No. 1-652).

4.1 Indenture between the Registrant and Chemical Bank, as trustee (incorporated herein by reference to Registrant's Current Report on Form 8-K, dated February 25, 1991, File No. 1-652).

4.2 Form of Fixed Rate Medium-Term Note, Series A (incorporated herein by reference to the Registrant's Current Report on Form 8-K, dated February 25, 1991, File No. 1-652).

4.3 Form of 9 1/4% Note due February 15, 2001 (incorporated herein by reference to the Registrant's Current Report on Form 8-K, dated February 25, 1991, File No. 1-652).

4.4 Rights Agreement, dated February 2, 1989, between the Registrant and Sovran Bank, N.A., as Rights Agent (incorporated herein by reference to the Registrant's Form 8-A Registration Statement, dated February 9, 1989, File No. 1-652).

4.5 Amendment to Rights Agreement, dated May 2, 1991, between the Registrant and Sovran Bank, N.A., as Rights Agent (incorporated hereby by reference to the Registrant's Form 8 Amendment No. 1, dated May 7, 1991, to Form 8-A Registration Statement, dated February 9, 1989, File No. 1-652).

4.6 Amendment to Rights Agreement, dated July 17, 1992, between the Registrant, NationsBank, N.A., as Rights Agent, and Wachovia Bank of North Carolina, N.A., as Successor Rights Agent (incorporated herein by reference to the Registrant's Form 8 Amendment No. 2, dated July 17, 1992, to Form 8-A Registration Statement, dated February 9, 1989, File No. 1-652).

The Registrant, by signing this Report on Form 10-K, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries, and for any unconsolidated subsidiaries for which financial statements are required to be filed, which authorizes a total amount of securities not in excess of 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis.

10.1 Universal Corporation Restricted Stock Plan for Non-Employee Directors (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1991, File No. 1-652).

10.2 Universal Leaf Tobacco Company, Incorporated Supplemental Stock Purchase Plan, as amended June 24, 1991 (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1991, File No. 1-652).

10.3 Universal Corporation Management Performance Plan (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990, File No. 1-652).

10.4 Universal Leaf Tobacco Company, Incorporated Management Performance Plan (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990, File No. 1-652).

10.5 Universal Leaf Tobacco Company, Incorporated Executive Life Insurance Agreement.*

10.6 Universal Leaf Tobacco Company, Incorporated Deferred Income Plan (incorporated herein by reference to the Registrant's Report on Form 8, dated February 8, 1991, File No. 1-652).

10.7 Universal Leaf Tobacco Company, Incorporated Benefit Replacement Plan (incorporated herein by reference to the Registrant's Report on Form 8, dated February 8, 1991, File No. 1-652).

10.8 Universal Leaf Tobacco Company, Incorporated Senior Executive Severance Plan (incorporated herein by reference to the Registrant's Report on Form 8, dated February 8, 1991, File No. 1-652).

10.9 Universal Leaf Tobacco Company, Incorporated Supplemental Pension Plan (incorporated herein by reference to the Registrant's Report on Form 8, dated February 8, 1991, File No. 1-652).

10.10 Universal Corporation 1989 Executive Stock Plan, as amended as of October 27, 1992 (incorporated hereby by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1993, File No. 1-652).

10.11 Universal Corporation 1991 Stock Option and Equity Accumulation Agreement (incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1991, File No. 1-652).

10.12 Amendment to Universal Corporation 1991 Stock Option and Equity Accumulation Agreement (incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, File No. 1-652).

10.13 Deli Universal, Inc. Management Performance Plan (incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, File No. 1-652).

10.14 Universal Leaf Tobacco Company, Incorporated 1994 Deferred Income Plan.*

10.15 Universal Corporation Outside Directors' 1994 Deferred Income Plan.*

10.16 Universal Leaf Tobacco Company, Incorporated 1994 Benefit Replacement Plan.*

21 Subsidiaries of the Registrant.*

23 Consent of Ernst & Young LLP.*

27 Financial Data Schedule.*

* Filed herewith.

(b) Reports on Form 8-K filed in the fourth quarter of 1994

Form 8-K filed on July 11, 1994. The form describes a press release announcing a plan of restructuring which provides for the consolidation and rationalization of operations and services in company facilities around the world.

(c) Exhibits

The exhibits listed in Item 14(a)(3) are filed as part of this annual report.

(d) Financial Statement Schedules

The consolidated financial statement schedule listed in Item 14(a) is filed as part of this annual report. All other schedules are omitted since the required information is not present in amounts sufficient to require submission or because the information required is included in the consolidated financial statements and notes therein.

SCHEDULE IX

SHORT - TERM BORROWINGS

Years Ended June 30, 1994, 1993 and 1992
(In thousands of dollars)

Classification	Balance at End of the Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period (1)	Average Amount Outstanding During the Period (1)	Weighted Average Interest Rate During the Period (2)
1994					
Notes Payable	$525,521	5.62%	$565,281	$533,602	5.01%
1993					
Notes Payable	417,067	5.60	444,600	378,721	6.35
1992					
Notes Payable	363,378	6.57	363,378	288,750	8.88
Commercial Paper	$0	NA	$43,000	$16,454	5.93%

(1) Based on quarter-end balances.

(2) The weighted average interest rate was calculated by dividing total interest paid by average amount borrowed.

Reference is made to Note 12 of the financial statements.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(REGISTRANT)

September 21, 1994 By /s/ Henry H. Harrell
Henry H. Harrell
Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Henry H. Harrell Henry H. Harrell	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	September 21, 1994
/s/ Allen B. King Allen B. King	President, Chief Operating Officer and Director	September 22, 1994
/s/ William W. Berry William W. Berry	Director	September 28, 1994
/s/ Wallace L. Chandler	Director	September 21, 1994

Wallace L. Chandler		
/s/ Richard G. Holder Richard G. Holder	Director	September 28, 1994
/s/ Hubert R. Stallard Hubert R. Stallard	Director	September 28, 1994
/s/ Thomas R. Towers Thomas R. Towers	Director	September 22, 1994
/s/ Hartwell H. Roper Hartwell H. Roper	Vice President and Chief Financial Officer	September 23, 1994
/s/ William J. Coronado William J. Coronado	Controller (Principal Accounting Officer)	September 21, 1994

EXHIBIT 10.5

EXECUTIVE LIFE INSURANCE AGREEMENT

Agreement, dated as of this ____ day of __________, 1994, by and between [NAME] (the "Employee") and UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED, a Virginia corporation (the "Corporation").

Recitals

The Employee is a valued employee of the Corporation and the Corporation desires to retain the Employee in its employment. Therefore, to induce his continued employment, the Corporation desires to assist the Employee with his personal life insurance through this executive life insurance plan.

The Corporation is presently providing group term life insurance for the Employee equal to twice compensation and a certain amount of post retirement life insurance which eventually reduces to 20% of the pre retirement benefit. The Corporation wishes to pay on behalf of the Employee in the future an amount equal to the amount currently being paid for group life insurance coverage plus an amount equal to the present value of post retirement coverage amortized over a time period to age 65 (or age 70 in the event the Employee is age 55 or older on the date of this Agreement). However to do so, the Employee shall apply for these dollars, it is believed that by using reasonable projections the Employee will have substantially more post retirement insurance than under the present arrangement. However, this executive life insurance plan entails certain risks including but not limited to the ability of the Insurer to pay, the amount of interest credited to the policy by the Insurer, taxes and changes in the tax law. By entering into this Agreement, the benefits under the risks of owning the policy are transferred to the Employee.

As is the case with the present group life insurance plan, the Corporation may change the amount of premium payments, and also may change its corporate policy towards providing or assisting in providing pre or post retirement life insurance. However, the present intention of the Company to make payments are stated in this Agreement. An Insurance Advisor (Clark/Bardes, Inc.) has provided the Employee a booklet and has discussed the terms of the policy with the Employee. The Employee has considered the advantages and disadvantages of signing this Agreement as opposed to continuing under Corporation's present group term life insurance plan.

NOW THEREFORE, in consideration of the following, the Employee and the Corporation agree as follows:

1. Effect of Agreement

By entering into this Agreement, the Employee authorizes the Corporation to cease the Employee's coverage under the present group life insurance plan as of July 1, 1994 and to participate in this arrangement as described herein. The election is irrevocable and will cause the Employee to be ineligible for the present group term plan or any term plan that replaces the present group term plan.

2. The Policy

The life insurance policy (the "Policy") covered by this Agreement is:

Insurer	Policy Number	Initial Amount of Insurance
Manufacturers Life		$<COV_G_AMOUNT>

issued on the life of the Employee. The Employee shall be the sole owner of the Policy. The Corporation shall have no interest in the Policy nor any claim to the cash value or Policy proceeds.

3. Payment of Premiums by the Corporation

A. During Employment

The present plan of the Corporation is to pay on behalf of the Employee during the period of employment an amount based on cost tables and calculation methods held by the Human Resources Department. This amount consists of two parts as follows: (i) the current cost per $1,000 of term insurance by age using group New York group term rates discounted by 58.6% which are the Corporation's present group term policy rates and (ii) the amortization to age 65 (or 70 in the event the Employee is age 55 or older on the date of this Agreement) of the present value of the post retirement coverage the Employee would have had under the present Group Term Life Insurance Plan at normal retirement, using 1980 CSO Mortality tables to determine life expectancy of the insured and a discount rate of 5.27%.

The above amount will be paid on a net after-tax basis, i.e. the gross amount will be computed as above and 32% shall be withheld for the Employee's federal and state income tax liability on the above amount yielding the net amount to be paid to the Insurer. If in the future the federal (39.6%) and/or state (5.75%) income taxes on earned income changes, the gross amount to be paid by the Corporation will be adjusted to yield the same net amount to be forwarded to the Insurer.

B. Disability

If the Employee becomes disabled during the term of employment the Corporation plans to continue to pay the above payment specified under paragraph 4 "Employee Contribution" and the amount of the supplemental insurance premium (if elected by the Employee during disability) until the earlier of death or age 65 (or age 70 in the event the Employee is age 55 or older on the date of this Agreement).

C. Early Retirement

If the Employee elects early retirement between the ages of 55 and 65, the Corporation plans to pay the sum of (i) an amount equal to the current group-term premium taking into consideration the coverage reduction schedule currently being used for early retirees and (ii) the amount of amortization for post retirement coverage paid by the Corporation during the last year of employment. No further Corporation payments will be made after age 65 (or 70 in the event the Employee is 55 or older on the date of this Agreement).

D. Employment after Age 65

If the Employee works past age 65, the Corporation intends to continue the portion of the payment for current term coverage as specified in paragraph 3 A(i) on an after-tax basis. No further post retirement amortization payment as specified in subparagraph 3 A(ii) will be made after age 65 unless the employee was age 55 or older on the date of this Agreement.

E. Right of Corporation to Determine and Change

The Corporation reserves the right to change or terminate the amounts of its payment in accordance with future circumstances. Any determination of the obligation to make payment under this Agreement or to make any interpretation or construction of this Agreement shall be the sole prerogative of the Corporation.

4. Employee Contributions

The Employee Contribution shall equal the income tax on group life insurance coverage in excess of $50,000 at various ages for which the Employee would have paid assuming Table I rates as of December 1989, the current federal and state combined income tax rate and the amount of insurance coverage in effect.

The Employee authorizes the Corporation to withhold from his compensation (salary, bonus or other compensation) amounts equal to the Employee Contributions. These amounts will be paid by the Corporation on behalf of the Employee to the Insurer under the insurance contract.

A. Supplemental Insurance

The employee may pay an additional amount for Supplemental Insurance (equal to annual compensation) at rates specified by the Company's Insurance Advisor and acceptable to the Insurer, assuming that the Employee qualifies for Supplemental Insurance under the Policy. By electing Supplemental Insurance, the Employee authorizes the corporation to withhold the amounts and pay the Insurer.

B. Additional Payments

At any time before or after termination of employment, the Employee may take any such additional payments to the Policy as may be allowed by the terms of the Policy. Upon retirement, the employee should consult with the Insurance Advisor with respect to any options available under the Policy.

5. Transfer of Policy

The Employee may transfer all of his interest in the Policy and the transfer shall not effect the Corporation's payment of premiums. The transfer is subject to the terms of the Policy and the Corporation makes no representation as to the legal or tax effects of such transfer.

6. Payment of Policy Proceeds

In the event the Policy becomes a claim by reason of the Employee's death, the Corporation shall have no interest in the proceeds of the Policy. The total proceeds of the Policy shall be paid directly by the Insurer to the beneficiary designated in the Policy by the owner thereof.

7. Surrender of Policy or Withdrawing Sums

The Employee shall have the exclusive right to surrender or cancel the Policy and receive the cash surrender value thereof. However, if the Employee during his employ should cease to make payments or fail to authorize the Corporation to make payments on his behalf or if the Employee should withdraw funds or borrow funds from the Policy, then the Corporation shall have the right not to make any further contributions to the Policy. The Corporation wants to encourage the Employee to keep the Policy in effect and funded during employment.

8. Termination of Agreement by the Corporation

In the event the Employee shall fail to pay that portion of each premium payment required in Paragraph 4 hereof, or in the event of the termination of the Employee's employment with the Corporation for any reason whatsoever other than the Employee's death, retirement, early retirement, or disability, the Corporation may terminate the agreement. Termination from employment shall not terminate the right of the Corporation to withhold or collect any Employee contributions due or paid to the Insurer by the Corporation on behalf of the Employee.

9. Obligations of Insurer under Agreement

The insurer shall be bound only by the provisions of and endorsements on the Policy, and any payments made or action taken by it in accordance therewith shall fully discharge it from all claims, suits and demands of all persons whatsoever. It shall in no way be bound by or deemed to have notice of the provisions of this Agreement.

10. Changes in Amount of Insurance

The Corporation intends to maintain the amount of life insurance coverage in force pursuant to this Agreement to equal twice the Employee's compensation effective July 1 each year but such increases however shall be subject to the terms and limitations of the Policy.

11. Accident Insurance

During the term of employment the Corporation intends to provide a separate policy accidental death coverage in an amount equal to twice compensation subject to certain maximum coverage limits (currently $750,000).

12. Miscellaneous

A. Where appropriate in this Agreement (i) words used in the singular shall include the plural and words used in the masculine shall include the feminine and vice versa and (ii) the word "Employee" shall include his transferee, subowner, subowner's assigns or Policy beneficiary as the case may be. The word "Corporation" shall include its successors and assigns. Headings and subheadings are for convenience only and have no effect on the construction of this Agreement.

B. This Agreement may be altered, amended or modified by written notice signed by the Corporation. The laws of the Commonwealth of Virginia shall govern this Agreement.

C. This Agreement is not an employment contract nor does it create any right of continued employment with the Corporation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in more than one counterpart, each of which is an original.

UNIVERSAL LEAF TOBACCO COMPANY INCORPORATED

By:_______________________________

____
[NAME]

EXHIBIT 10.14

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED

1994 DEFERRED INCOME PLAN

Universal Leaf Tobacco Company, Incorporated (the "Sponsor") hereby establishes a non-qualified deferred compensation program for certain employees as described herein. The following shall constitute the terms and conditions of the 1994 Deferred Income Plan, effective July 1, 1994.

A. Purpose and Administration

1. Statement of Purpose
The purpose of the 1994 Deferred Income Plan (the "Plan") is to provide certain officers of Universal Leaf Tobacco Company, Incorporated, of its parent, Universal Corporation, and of certain of its domestic subsidiaries as are listed on Schedule A attached hereto, and as amended from time to time ("Participating Subsidiaries") (individually and collectively, the "Company") with recurrent opportunities to defer receipt of a portion of salary and amounts earned pursuant to the applicable Management Performance Plan of the Company (the "MPP"). Such deferrals, until a date certain in the future, would apply to amounts which otherwise would be payable currently.

2. Top Hat Plan
The Sponsor intends that the Plan constitute an unfunded "top hat" plan maintained for the purpose of providing deferred compensation to a select group of management employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Security Act of 1974, as amended from time to time, and the rules and regulations thereunder ("ERISA").

3. Plan Administration
Full power and authority to construe, interpret and administer the Plan and to change requirements for eligibility and investment options shall be vested in the Executive Committee of the Sponsor (the "Committee"). The Committee shall have the authority to make determinations provided for or permitted to be made under the Plan and to establish such rules and regulations, if any, that the Committee deems necessary and appropriate for the ongoing administration and operation of the Plan.

B. Eligibility

4. Eligible Employees
Participants in this plan shall consist of the following corporate officers: (a) Officers of Universal Corporation, (b) Corporate Directors and above of the Sponsor, (c) Vice Presidents and above of Participating Subsidiaries, and (d) Assistant Vice Presidents who are also assistant general managers at processing plants of Participating Subsidiaries (collectively referred to hereinafter as "Participants").

C. Deferral Elections

5. Agreements
The initial deferral agreement (the "Initial Agreement"), in a form approved by the Committee shall be executed by the Company and each Participant to effectuate the deferrals described in Section 6(a) below. Subsequent deferral agreements (the "Subsequent Agreements"), in a form approved by the Committee shall be executed by the Sponsor and each Participant to effectuate the deferrals described in Section 6(b) below (the Initial Agreement and the Subsequent Agreements are collectively referred to herein as the "Deferral Agreements"). Execution of the Deferral Agreements between the Company and each Participant shall constitute the sole means for each Participant to effectuate deferral elections pursuant to the Plan.

6. Deferral Elections

(a) Initial Deferral
Each Participant may elect in writing to defer an amount of salary up to a maximum of seventy-five percent (75%) for the initial deferral period of July 1, 1994 through December 31, 1995 (the "Initial Deferral Period"). There are two separate deferral elections for the Initial Deferral Period. The first election is for the period July 1, 1994 to December 31, 1994, and the second election is for calendar year 1995. Each Participant may also elect in writing to defer up to one hundred percent (100%) of his or her MPP award for the Sponsor's fiscal year beginning July 1, 1994 and ending June 30, 1995, which is generally payable in September of 1995 (the "1995 MPP Award"), or all of his or her 1995 MPP award in excess of a designated sum, if any. The election with respect to salary for the Initial Deferral Period and/or the 1995 MPP Award shall be made in the month of June 1994.

(b) Subsequent Deferrals
Each Participant may elect in writing to defer an amount of salary up to a maximum of twenty-five percent (25%) for subsequent calendar year deferrals (the "Subsequent Deferral Period"). Each Participant may also elect in writing to defer either (i) up to one hundred percent (100%) of his or her MPP Award for the Sponsor's subsequent fiscal years which are generally payable the September after the conclusion of the fiscal year (the "Subsequent MPP Awards"), or (ii) all of a Subsequent MPP Award in excess of a designated sum, if any. The election with respect to salary for the Subsequent Deferral Period and/or a Subsequent MPP Award shall be made in the month of June prior to the July 1 beginning of the Sponsor's fiscal year in which any MPP Award is earned and, therefore, prior to the calendar year in which any of the salary is earned.

(c) New Participant Deferrals
Any new Employee to the Company who is eligible to participate in the Plan subsequent to the Plan's commencement date of July 1, 1994 may elect to defer salary within thirty (30) days from the date on which he or she first becomes eligible to participate. Each continuing Employee who becomes eligible to participate in the Plan subsequent to the Plan's commencement date of July 1, 1994, may elect salary and/or MPP award deferrals during the next regular June deferral election period.

D. Deferral Accounts

7. Deferral Account
The Company shall establish a deferral account in the name of each Participant on the Company's books and records which shall reflect the amount of actual deferrals plus any earnings and less any losses thereon (the "Adjustment") as described in Section 9 hereinafter as an unfunded liability of the Company to the Participant (the actual deferrals plus or minus the Adjustment is collectively referred to herein as the "Deferral Account").

8. Irrevocability of Deferral Elections
Once a Participant elects to defer salary and/or a MPP award pursuant to the terms of a Deferral Agreement, including elections as to amount, timing and method of payout, such election shall be irrevocably binding upon the Participant.

9. Investment Options
The Sponsor has selected the following initial investment funds which may be modified from time to time by the Committee: Oppenheimer Capital Appreciation Fund, Oppenheimer Global Fund, Massachusetts Mutual Equity Fund, Massachusetts Mutual Bond Fund and the Massachusetts Mutual Money Market Fund (the "Investment Options"). Participants shall designate annually in June how their deferrals are to be hypothetically invested among the Investment Options. The Sponsor shall use the Participant's Investment Option designations to calculate the Adjustment component of the Deferral Account. The Participant may each June change his or her investment election designation both as to amounts then in the Deferral Account and future amounts to be

allocated to the Deferral Account. If a Participant changes his or her Investment Option designation for either amounts then in the Deferral Account or future amounts to be allocated to the Deferral Account, then such change shall supersede the previous designation effective as of the last day of the month after the date of the changed election. The Sponsor shall begin crediting the Participant's Deferral Account with the amount deferred by the Participant on the last day of the month in which the salary or MPP Award would have otherwise been paid. As to the applicable amount distributed, the Sponsor shall cease crediting or debiting Adjustments to the Participant's Deferral Account on the last day of the month of the applicable distribution event set forth in Sections 10, 11, 12, 13, 14 or 15 (the "Valuation Date").

Allocation of investment selections shall be made among the Investment Options. A Participant shall have absolutely no ownership interest in any Investment Option. The Sponsor may, but is not required to, invest the amounts represented by the Deferral Accounts in the Investment Options. The Sponsor shall be the sole owner of any funds invested in any such Investment Option, as well as all amounts accounted for in the Deferral Accounts, all of which shall at all times be subject to the claims of the Company's general unsecured creditors.

E. Distributions

10. Pre-Deferral Irrevocable Payout Election
A Participant may irrevocably elect to receive the distribution of the Deferral Account, as follows:

(a) in a one-time partial distribution of a specified amount on a specified future date that is more than five (5) years from the date of execution of the Deferral Agreement with the remainder to be distributed in accordance with subsection (c) or (d), and with such partial distributions to be made on or before the fifteenth day of the month following the specified date; and/or

(b) in a lump sum distribution of the entire Deferral Account on a specified future date that is more than five (5) years from the date of execution of the Deferral Agreement with payment made on or before the fifteenth day of the month following the specified date; or

(c) upon retirement from the Company, in a lump sum distribution on or before the fifteenth day following the Valuation Date; or

(d) upon retirement from the Company, in annual payments for a period of up to fifteen (15) years beginning on or before the fifteenth day following the Valuation Date and on each subsequent anniversary date thereafter. Under this method, for example, assuming a fifteen year payment election, the first year distribution will equal one-fifteenth (1/15) of the total Deferral Account, the second year distribution will equal one-fourteenth (1/14) of the remaining Deferral Account, and so forth.

Notwithstanding the Participant's irrevocable election, the distribution of the Deferral Account to a Participant shall be accelerated in the event of permanent disability (Section 11), death (Section 12), termination of employment other than by retirement (Section 13) or a Change of Control, as defined hereinafter (Section 14), and may be accelerated in the event of an Unforeseeable Emergency, as defined hereinafter (Section 15).

11. Payment in Event Participant Becomes Permanently Disabled
In the event a Participant terminates employment as a result of permanent disability, as that term is defined in the Sponsor's Long Term Disability Benefits Plan, the method of payment shall be a lump sum distribution on or before the fifteenth day following the Valuation Date.

12. Payment in Event of Participant's Death

In the event a Participant pre-deceases his or her election date for payment of the Deferral Account or has not received all of his or her payments, the method of payment shall be a lump sum distribution to the beneficiary designated by the Participant on or before the fifteenth day following the Valuation Date.

Each Participant shall designate in writing a beneficiary to whom benefits hereunder are to be paid, if the Participant dies prior to receiving his or her entire Deferral Account. A Participant may change his or her beneficiary designation at any time by filing a revised beneficiary designation form with the Committee.

If a Participant fails to designate a beneficiary as provided above, or if all designated beneficiaries predecease the Participant, or die before the completion of all payments due hereunder, the Sponsor shall pay the Deferral Account to the Participant's estate.

13. Payment in Event of Participant's Termination of Employment
Upon termination of employment for reasons other than retirement, permanent disability or death, the Company shall pay the terminated Participant his or her Deferral Account in a lump sum distribution on or before the fifteenth day following the Valuation Date.

14. Payment in Event of Change of Control
Upon the Occurrence of a Change of Control, as defined below, with respect to both Participants and retirees who are receiving payments hereunder, the Company shall pay the Participant his or her Deferral Account in a lump sum distribution on or before the fifteenth day following the Valuation Date.

For the purpose of this Plan, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of Common Stock of Universal Corporation (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding voting securities of Universal Corporation entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from Universal Corporation, (ii) any acquisition by Universal Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Universal Corporation or any corporation controlled by Universal Corporation or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c); or

(b) Individuals who, as of July 1, 1994, constitute the Board of Directors of Universal Corporation (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of Universal Corporation, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of Universal Corporation; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Universal Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which, as a result of such transaction, owns Universal Corporation or all or substantially all of Universal Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Universal Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination, or

(d) Approval by the shareholders of Universal Corporation of a complete liquidation or dissolution of Universal Corporation.

15. Payment in Event of Unforeseeable Emergency

(a) A distribution of a portion of the Participant's Deferral Account because of an Unforeseeable Emergency will be permitted only to the extent required by the Participant to satisfy the emergency need. Whether an Unforeseeable Emergency has occurred will be determined solely by the Committee. Distributions in the event of an Unforeseeable Emergency may be made by and with the approval of the Committee upon written request by a Participant.

(b) An "Unforeseeable Emergency" is defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any event, any distribution under this Section shall not exceed the remaining amount required by the Participant to resolve the hardship after (i) reimbursement or compensation through insurance or otherwise, (ii) obtaining liquidation of the Participant's assets, to the extent such liquidation would not itself cause a severe financial hardship, or (iii) suspension of deferrals under the Plan.

F. Participants' Rights

16. Participant Rights in the Unfunded Plan

Any liability of the Company to any Participant with respect to any benefit shall be based solely upon the contractual obligations created by the Plan and the Deferral Agreements (collectively, the "Agreements"); no such obligation shall be deemed to be secured by any pledge or any encumbrance on any property of the Company. No Participant shall have any rights under the Plan other than those of a general unsecured creditor of the Company. Assets segregated or identified by the Company for the purpose of paying benefits pursuant to the Plan remain general corporate assets subject to the claims of the Company's general creditors, and are not held in trust by the Company for the benefit of Participants.

17. Non-Assignability
Except as provided in Section 12, each Participant's rights under the Plan shall be non-transferrable and non-assignable.

G. The Sponsor's Reservation of Rights

18. Termination or Amendment of Plan
The Sponsor retains the right, at any time and in its sole discretion, to amend or terminate the Plan, in whole or in part. Any amendment of the Plan shall be approved by the Board of Directors of the Sponsor, shall be in writing and shall be communicated within thirty (30) days of its adoption to the Participants. Notwithstanding the above, the Committee shall have the authority to change the requirements of eligibility or to modify the Investment Options hereunder. No amendment of the Plan shall substantially impair or curtail the Sponsor's contractual obligations arising from Deferral Agreements previously entered into for benefits accrued prior to such amendment. Notwithstanding any other provision herein to the contrary, in the event of Plan termination, payment of Deferral Accounts shall occur not later than the last business day of the third month following the month in which the termination is made effective.

H. Claims for Benefits

19. Claims Procedure
Any claim by a Participant or his or her Beneficiary (hereafter "Claimant") for benefits shall be submitted to the Committee. The Committee shall be responsible for deciding whether such claim is within the scope provided by the Plan (a "Covered Claim") and for providing full and fair review of the decision of such claim. In addition, the Committee shall provide a full and fair review in accordance with ERISA, including without limitation Section 503 thereof.

Each claimant or other interested person shall file with the Committee such pertinent information as the committee may specify, and in such manner and form as the Committee may specify and provide, and such person shall not have any rights or be entitled to any benefits or further benefits hereunder, as the case may be, unless such information is filed by the Claimant or on behalf of the Claimant. Each Claimant shall supply at such times and in such manner as may be required, written proof that the benefit is covered under the Plan. If it is determined that a Claimant has not incurred a Covered Claim or if the Claimant shall fail to furnish such proof as is requested, no benefits or no further benefits hereunder, as the case may be, shall be payable to such Claimant.

Notice of a decision by the Committee with respect to a Claim shall be furnished to the Claimant within ninety (90) days following the receipt of the claim by the Committee (or within ninety (90) days following the expiration of the initial ninety (90) day period, in a case where there are special circumstances requiring extension of time for processing the claim). If special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished by the Committee to the Claimant prior to the expiration of the initial ninety (90) day period. The notice of extension shall indicate the special circumstances requiring the extension and the date by which the notice of decisions with respect to the claim shall be furnished. Commencement of benefit payments shall constitute notice of approval of a claim to the extent of the amount of the approved benefit. If such claim shall be wholly or partially denied, such notice shall be in writing and worded in a manner calculated to be understood by the Claimant, and shall set forth (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Plan on which the denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the Plan's claims review procedure. If the Committee fails to notify the Claimant of the decision regarding his or her claim in accordance with these "Claims Procedure" provisions, the claim shall be deemed denied and the Claimant then shall be permitted to proceed with the claims review procedure provided herein.

Within sixty (60) days following receipt by the Claimant of notice of the claim denial, or within sixty (60) days following the close of the ninety (90) day period referred to herein, or if the Committee fails to notify the Claimant of the decision within such ninety (90) day period, the Claimant may appeal denial of the claim by filing a written application for review with the Committee. Following such request for review, the Committee shall fully and fairly review the decision denying the claim. Prior to the decision of the Committee, the Claimant shall be given an opportunity to review pertinent documents and to submit issues and comments to the Committee in writing. The decision of the Committee shall be made within sixty (60) days following receipt by the Committee of the request for review (or within one hundred and twenty (120) days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing such denied claim). The Committee shall deliver its decision to the Claimant in writing. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review.

For all purposes under the Plan, the decision with respect to a claim if no review is requested and the decision with respect to a claim if review is requested shall be final, binding and conclusive on all interested parties as to matters relating to the Plan.

20. Committee Determinations Final
Each determination provided for in the Plan shall be made in the absolute discretion of the Committee. Any such determination shall be final, binding and conclusive on all persons.

I. Miscellaneous Provisions

21. Effect on Other Benefits
Except as otherwise required by applicable law, the salary deferred by a Participant shall be included in the Participant's annual compensation for purposes of calculating the Participant's bonuses and awards, insurance and other employee benefits. However, in accordance with the terms of any plan qualified under Section 401 of the Internal Revenue Code maintained by the Sponsor, the amount of salary deferrals under the Plan shall not be included as calendar year compensation in calculating the Participant's benefits or contributions by or on behalf of the Participant. Distributions made under the Plan shall be excluded from compensation in years paid for purposes of calculating a Participant's bonuses and awards, insurance and other employee benefits.

22. Plan Year
The Plan Year shall be the calendar year.

23. Tax Withholding
The Sponsor shall withhold from any payment made by it under the Plan such amount or amounts as may be required for purposes of complying with the tax withholding or other provisions of the Internal Revenue Code of 1986, as amended, or the Social Security Act, as amended, or any federal, state or local income or employment tax provision or for purposes or paying any estate, inheritance or other tax attributable to any amounts payable hereunder.

24. Participant's Incapacity
If, in the Committee's opinion, a Participant of other person entitled to receive benefits under the Plan is in any way incapacitated so as to be unable to manage his or her financial affairs, then the Committee may make such payment(s) into a separate interest-bearing account established for the benefit of

and on behalf of the Participant or other recipient, for release at such time as a claim is made by a conservator or other person legally charged with the care of his or her person or of his or her estate. Thereafter, any benefits payable under the Plan shall be made to the conservator or other person legally charged with the care of his or her person or estate.

25. Independence of Plan
Except as otherwise expressly provided herein, this Plan shall be independent of, and in addition to, any other employment agreement or employment benefit agreement or plan or rights that may exist from time to time between the parties hereto. This Plan shall not be deemed to constitute a contract of employment between the Company and a Participant, nor shall any provision hereof restrict the right of the Company at any time to discharge a Participant, with or without assigning a reason therefore, or restrict the right of a Participant to terminate his or her employment with the Company.

26. Responsibility for Legal Effect
Neither the Committee nor the Company makes any representations or warranties, express or implied, or assumes any responsibility concerning the legal, tax, or other implications of effects of this Plan.

27. Successors, Acquisitions, Mergers, Consolidations
The terms and conditions of the Plan and each Deferral Agreement shall inure to the benefit of and bind the Company and the Participants, and their successors, assigns, and personal representatives.

28. Controlling Law
The Plan shall be construed in accordance with the laws of the Commonwealth of Virginia to the extent not preempted by laws of the United States of America.

EXHIBIT 10.15

UNIVERSAL CORPORATION

OUTSIDE DIRECTORS' 1994 DEFERRED INCOME PLAN

Universal Corporation (the "Sponsor") hereby establishes a non-qualified deferred compensation program for its non-employee directors (the "Outside Directors"). The following shall constitute the terms and conditions of the Outside Directors' 1994 Deferred Income Plan, effective October 1, 1994.

A. Purpose and Administration

1. Statement of Purpose. The purpose of the Outside Directors' 1994 Deferred Income Plan (the "Plan") is to provide the Outside Directors of Universal Corporation with recurrent opportunities to defer receipt of a portion of their compensation. Such deferrals, until a date certain in the future, would apply to amounts which otherwise would be payable currently.

2. Top Hat Plan. The Sponsor intends that the Plan constitute an unfunded "top hat" plan maintained for the purpose of providing deferred compensation to Outside Directors, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations thereunder ("ERISA"). This plan shall not cover any person who is, or becomes, an employee of the Sponsor, or its affiliated entities.

3. Plan Administration. Full power and authority to construe, interpret and administer the Plan and to change requirements for eligibility and investment options shall be vested in the Executive Committee of Universal Corporation (the "Committee"). The Committee shall have the authority to make determinations provided for or permitted to be made under the Plan and to establish such rules and regulations, if any, that the Committee deems necessary and appropriate for the ongoing administration and operation of the Plan.

B. Eligibility

4. Eligible Persons. Participants in this plan shall consist solely of the Outside Directors (individually or collectively sometimes referred to herein as "Participant" or "Participants").

C. Deferral Elections

5. Agreements. The initial deferral agreement (the "Initial Agreement"), in the form approved by the Committee and attached to this Plan as Exhibit A, shall be executed by the Sponsor and each Participant to effectuate the deferrals described in Section 6(a) below. Subsequent deferral agreements (the "Subsequent Agreements"), in the form approved by the Committee, shall be executed by the Sponsor and each Participant to effectuate the deferrals described in Section 6(b) below (the Initial Agreement and the Subsequent Agreements are collectively referred to herein as the "Deferral Agreements"). Execution of the Deferral Agreements between the Sponsor and each Participant shall constitute the sole means for each Participant to effectuate deferral elections of compensation pursuant to the Plan. For purposes of this Plan, compensation shall mean any director's fees, including retainers and fees for Board and committee meetings (collectively, "Compensation").

6. Deferral Elections.

(a) Initial Deferral. Each Participant may elect in writing to defer an amount of Compensation up to a maximum of one-hundred percent (100%) for the initial deferral period of October 1, 1994 through September 30, 1995 (the "Initial Deferral Period").

(b) Subsequent Deferrals. Each Participant may elect in writing to defer an amount of Compensation up to a maximum of one hundred percent (100%) for subsequent October 1 to September 30 Plan Year deferrals (the "Subsequent Deferral Period"). The election with respect to Compensation for the Subsequent Deferral Period shall be made in the month of September prior to the October 1 beginning of the Sponsor's Plan Year.

(c) New Participant Deferrals. Any new Outside Director who is eligible to participate in the Plan subsequent to the Plan's commencement date of October 1, 1994, may elect to defer compensation within (i) thirty (30) days from the date on which he or she first becomes eligible to participate or (ii) during the next regular September deferral election period.

D. Deferral Accounts

7. Deferral Account. The Sponsor shall establish a deferral account in the name of each Participant on its books and records which shall reflect the amount of actual deferrals plus any earnings and less any losses thereon (the "Adjustment") as described in Section 9 hereinafter as an unfunded liability of the Sponsor to the Participant (the actual deferrals plus or minus the Adjustment is collectively referred to herein as the "Deferral Account").

8. Irrevocability of Deferral Elections. Once a Participant elects to defer Compensation pursuant to the terms of a Deferral Agreement, including elections as to amount, timing and method of payout, such election shall be irrevocably binding upon the Participant.

9. Investment Options. The Sponsor has selected the following initial investment funds which may be modified from time to time by the Committee: Oppenheimer Capital Appreciation Fund, Oppenheimer Global Fund, Massachusetts Mutual Equity Fund, Massachusetts Mutual Bond Fund, and Massachusetts Mutual Money Market Fund (the "Investment Options"). Participants shall annually designate in September how their deferrals are to be hypothetically invested among the Investment Options. The Sponsor shall use the Participant's Investment Option designations to calculate the Adjustment component of the Deferral Account. The Participant may each September change his or her investment election designation both as to amounts then in the Deferral Account and future amounts to be allocated to the Deferral Account. If a Participant changes his or her Investment Option designation for either amounts then in the Deferral Account or future amounts to be allocated to the Deferral Account, then such change shall supersede the previous designation effective as of the last day of the month after the date of the changed election. The Sponsor shall begin crediting the Participant's Deferral Account with the amount deferred by Participant on the last day of the month in which the Compensation would have otherwise been paid. As to the applicable amount distributed, the Sponsor shall cease crediting or debiting Adjustments to the Participant's Deferral Account on the last day of the month of the applicable distribution event set forth in Sections 10, 11, 12 or 13 (the "Valuation Date").

Allocation of investment selections shall be made among the Investment Options. A Participant shall have absolutely no ownership interest in any Investment Option. The Sponsor may, but is not required to, invest the amounts represented by the Deferral Accounts in the Investment Options. The Sponsor shall be the sole owner of any funds invested in any such Investment Option, as well as all amounts accounted for in the Deferral Accounts, all of which shall at all times be subject to the claims of the Sponsor's general unsecured creditors.

E. Distributions

10. Pre-Deferral Irrevocable Payout Election. A Participant may irrevocably elect to receive the distribution of the Deferral Account, as follows:

(a) In a one-time partial distribution of a specified amount on a specified future date that is more than five (5) years from the date of execution of the Deferral Agreement with the remainder to be distributed in accordance with subsection (c) or (d), and with such partial distribution to be made on or before the fifteenth day of the month following the specified date; and/or

(b) In a lump sum distribution of the entire Deferral Account on a specified future date that is more than five (5) years from the date of execution of the Deferral Agreement with payment made on or before the fifteenth day of the month following the specified date; or

(c) Upon termination of service as an Outside Director, in a lump sum distribution on or before the fifteenth day following the Valuation Date; or

(d) Upon termination of service as an Outside Director, in annual payments for a period of up to fifteen (15) years beginning on or before the fifteenth day following the Valuation Date, and, on each subsequent anniversary date thereafter. Under this method, for example, assuming a fifteen year payment election, the first year distribution will equal one-fifteenth (1/15) of the total Deferral Account, the second year distribution will equal one-fourteenth (1/14) of the remaining Deferral Account, and so forth.

Notwithstanding the Participant's irrevocable election, the distribution of the Deferral Account to a Participant shall be accelerated in the event of death (Section 11) or a Change of Control, as defined hereinafter (Section 12), and may be accelerated in the event of death an Unforeseeable Emergency, as defined hereinafter (Section 13).

11. Payment in Event of Participant's Death. In the event a Participant pre-deceases his or her election date for payment of the Deferral Account or has not received all of his or her payments, the method of payment shall be a lump sum distribution to the beneficiary designated by the Participant on or before the fifteenth day following the Valuation Date.

Each Participant shall designate in writing a beneficiary to whom benefits hereunder are to be paid, if the Participant dies prior to receiving his or her entire Deferral Account. A Participant may change his or her beneficiary designation at any time by filing a revised beneficiary designation form with the Committee.

If a Participant fails to designate a beneficiary as provided above, or if all designated beneficiaries predecease the Participant, or die before the completion of all payments due hereunder, the Sponsor shall pay the Deferral Account to Participant's estate.

12. Payment in Event of Change of Control. Upon the Occurrence of a Change of Control, as defined below, with respect to both Participants and Outside Directors who are receiving payments hereunder, the Sponsor shall pay the Participant his or her Deferral Account in a lump sum distribution on or before the fifteenth day following the Valuation Date.

For the purpose of this Plan, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of Common Stock of the Sponsor (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Sponsor entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Sponsor, (ii) any acquisition by the Sponsor, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Sponsor or any corporation controlled by the Sponsor or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c); or

(b) Individuals who, as of October 1, 1994, constitute the Board of Directors of the Sponsor (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of the Sponsor, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of the Sponsor; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Sponsor (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Sponsor or all or substantially all of the Sponsor's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Sponsor or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination, or

(d) Approval by the shareholders of the Sponsor of a complete liquidation or dissolution of the Sponsor.

13. Payment in Event of Unforeseeable Emergency.

(a) A distribution of a portion of the Participant's Deferral Account because of an Unforeseeable Emergency will be permitted only to the extent required by the Participant to satisfy the emergency need. Whether an Unforeseeable Emergency has occurred will be determined solely by the Committee. Distributions in the event of an Unforeseeable Emergency may be made by and with the approval of the Committee upon written request by a Participant.

(b) An "Unforeseeable Emergency" is defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any event, any distribution under this Section shall not exceed the remaining amount required by the Participant to resolve the hardship after (i) reimbursement or compensation through insurance or otherwise, (ii) obtaining liquidation of the Participant's assets, to the extent such liquidation would not itself cause a severe financial hardship, or (iii) suspension of deferrals under the Plan.

F. Participants' Rights

14. Participant Rights in the Unfunded Plan. Any liability of the Sponsor to any Participant with respect to any benefit shall be based solely upon the contractual obligations created by the Plan and the Deferral Agreements (collectively, the "Agreements"); no such obligation shall be deemed to be secured by any pledge or any encumbrance on any property of the Sponsor. No Participant shall have any rights under the Plan other than those of a general unsecured creditor of the Sponsor. Assets segregated or identified by the Sponsor for the purpose of paying benefits pursuant to the Plan, remain general corporate assets, subject to the claims of the Sponsor's general creditors and are not held in trust by the Sponsor for the benefit of Participants.

15. Non-Assignability. Except as provided in Section 11, each Participant's rights under the Plan shall be non-transferable and non-assignable.

G. The Sponsor's Reservation of Rights

16. Termination or Amendment of Plan. The Sponsor retains the right, at any time and in its sole discretion, to amend or terminate the Plan, in whole or in part. Any amendment of the Plan shall be approved by the Board of Directors of the Sponsor, shall be in writing and shall be communicated within thirty (30) days of its adoption to the Participants. Notwithstanding the above, the Committee shall have the authority to change the requirements of eligibility or to modify the Investment Options hereunder. No amendment of the Plan shall substantially impair or curtail the Sponsor's contractual obligations arising from deferral Agreements previously entered into for benefits accrued prior to such amendment. Notwithstanding any other provision herein to the contrary, in the event of Plan termination, payment of Deferral Accounts shall occur not later than the last business day of the third month following the month in which the termination is made effective.

H. Committee Determinations

17. Committee Determinations Final. Each determination provided for in the Plan, including a claim hereunder, shall be made in the absolute discretion of the Committee. Any such determination shall be final, binding and conclusive on all persons.

I. Miscellaneous Provisions

18. Plan Year. The Plan Year shall be October 1 through September 30.

19. Tax Withholding. The Sponsor shall withhold from any payment made by it under the Plan such amount or amounts as may be required for purpose of complying with the tax withholding or other provisions of the Internal Revenue Code of 1986, as amended, or the Social Security Act, as amended, or any federal, state or local tax provision, or for purposes of paying any estate, inheritance or other tax attributable to any amounts payable hereunder.

20. Participant's Incapacity. If, in the Committee's opinion,

a Participant or other person entitled to receive benefits under the Plan is in any way incapacitated so as to be unable to manage his or her financial affairs, then the Committee may make such payment(s) into a separate interest-bearing account established for the benefit of and on behalf of the Participant or other recipient, for release at such time as a claim is made by a conservator or other person legally charged with the care of his or her person or of his or her estate. Thereafter, any benefits payable under the Plan shall be made to the conservator or other person legally charged with the care of his or her person or estate.

21. Independence of Plan. Except as otherwise expressly provided herein, this Plan shall be independent of, and in addition to, any other agreement for the provision of services or rights that may exist from time to time between the parties hereto.

22. Responsibility for Legal Effect. Neither the Committee nor the Sponsor makes any representations or warranties, express or implied, or assumes any responsibility concerning the legal, tax, or other implications or effects of this Plan.

23. Successors, Acquisitions, Mergers, Consolidations. The terms and conditions of the Plan and each Deferral Agreement shall inure to the benefit of and bind the Sponsor and the Participants, and their successors, assigns, and personal representatives.

24. Controlling Law. The Plan shall be construed in accordance with the laws of the Commonwealth of Virginia to the extent not preempted by laws of the United States of America.

EXHIBIT 10.16

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED

1994 BENEFIT REPLACEMENT PLAN

ARTICLE I

PURPOSE

The purpose of the Universal Leaf Tobacco Company, Incorporated 1994 Benefit Replacement Plan (hereinafter referred to as the "Plan") is to provide specified benefits to a select group of management and highly compensated employees who contribute materially to the continued growth, development and future business of the Company and its subsidiaries.

ARTICLE II

ELIGIBILITY

This Plan shall apply only to officers and employees of Universal Leaf Tobacco Company, Incorporated, of its parent, Universal Corporation, and of certain of their subsidiaries (individually and collectively, the "Company") who are participants in the Universal Leaf Tobacco Company, Incorporated 1994 Deferred Income Plan (the "1994 Deferred Income Plan").

ARTICLE III

BENEFITS

The normal, early, delayed, and disability retirement benefits and the benefit upon death before retirement to be provided by this Plan shall be the amount for the option selected by the Participant or otherwise provided under and as determined by the Employees' Retirement Plan of Universal Leaf Tobacco Company, Incorporated and Designated Affiliated Companies (hereinafter referred to as the "Retirement Plan") but (i) with the inclusion, for the purpose of computing benefits, of the amounts deferred by the Participant and the exclusion of any payments received, pursuant to the 1994 Deferred Income Plan of the Company, for the years in which such deferrals or payments occurred; and (ii) offset by benefits payable in accordance with the Retirement Plan.

Payment of benefits hereunder shall coincide with payments from the Retirement Plan and shall be payable to the Participant or the beneficiary designated in the Retirement Plan for the period designated in the Retirement Plan and in the same form as elected by the Participant in the Retirement Plan.

ARTICLE IV

VESTING

A participant shall have the right to receive a benefit hereunder if and to the extent that at the time his employment is terminated for any reason, he is entitled to receive a benefit under the Retirement Plan. Vesting shall be determined in accordance with the schedule contained in the Retirement Plan. Such employee's rights and benefits shall be determined under provisions of the Plan and the Retirement Plan as in effect on the date of the said employee's termination.

Notwithstanding the foregoing, a participant shall forfeit all benefits from the Plan if the Company terminates the participant's employment as a result of fraud, dishonesty or embezzlement.

ARTICLE V

ADMINISTRATION

The Plan shall be administered by the Human Resources and Retirement Committee (the "Retirement Committee") appointed by the Board of Directors of Universal Leaf Tobacco Company, Incorporated, and any decision or interpretation of the Plan, whether it be of content or construction, shall be made solely by the Retirement Committee.

The Retirement Committee may establish rules and procedures for making such decisions and keep accurate records thereof.

ARTICLE VI

OTHER BENEFITS AND AGREEMENTS

The benefits provided under the Plan are in addition to any other benefits available to such Participant under any other plan or program of the Company for its employees, and, except as may otherwise be expressly provided for, the Plan shall supplement and shall not supersede, modify or amend any other plan or program of the Company. Benefits under the Plan shall not be considered "compensation" for the purpose of computing contributions or benefits under any other plan or plans maintained by the Company or any of its affiliates or subsidiaries which are qualified under Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended.

ARTICLE VII

RESTRICTIONS ON ALIENATION OF BENEFITS

No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit. If any Participant or beneficiary under the Plan should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to a benefit hereunder, then such right or benefit, in the discretion of the Company, shall cease, and in such event the Company may hold or apply the same or any part thereof for the benefit of such Participant, his or her spouse, children, or other dependents, or any of them in such manner and in such proportion as the Company may deem proper.

ARTICLE VIII

SOURCE OF BENEFITS

Amounts payable hereunder shall be paid exclusively from the general assets of the Company, and no person entitled to payment hereunder shall have any claim, right, security interest or other interest in any fund, trust, account, insurance contract, or asset of the Company which may be looked to for such payment. The Company's liability for the payment of benefits hereunder shall be evidenced only by this Plan.

ARTICLE IX

CLAIMS PROCEDURE

Any claim by a Participant or his beneficiary (hereafter "Claimant") for benefits shall be submitted to the Retirement Committee. The Retirement Committee shall be responsible for deciding whether such claim is within the scope provided by the Plan (a "Covered Claim") and for providing full and fair review of the decision with respect to such claim. In addition, the Retirement Committee shall provide a full and fair review in accordance with ERISA, including without limitation Section 503 thereof.

Each Claimant or other interested person shall file with the Retirement Committee such pertinent information as the Retirement Committee may specify, and in such manner and form as the Retirement Committee may specify and provide, and such person shall not have any rights or be entitled to any benefits or further benefits hereunder, as the case may be, unless such information is filed by the Claimant or on behalf of the Claimant. Each Claimant shall supply at such times and in such manner as may be required, written proof that the benefit is covered under the Plan. If it is determined that a Claimant has not incurred a Covered Claim or if the Claimant shall fail to furnish such proof as is requested, no benefits or no further benefits hereunder, as the case may be, shall be payable to such Claimant.

Notice of a decision by the Retirement Committee with respect to a claim shall be furnished to the Claimant within ninety (90) days following the receipt of the claim by the Retirement Committee (or within ninety (90) days following the expiration of the initial ninety (90) day period, in a case where there are special circumstances requiring extension of time for processing the claim). If special circumstances require and extension of time for processing the claim, written notice of the extension shall be furnished by the Retirement Committee to the Claimant prior to the expiration of the initial ninety (90) day period. The notice of extension shall indicate the special circumstances requiring the extension and the date by which the notice of decisions with respect to the claim shall be furnished. Commencement of benefit payments shall constitute notice of approval of a claim to the extent of the amount of the approved benefit. If such claim shall be wholly or partially denied, such notice shall be in writing and worded in a manner calculated to be understood by the Claimant, and shall set forth (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Plan on which the denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the Plan's claims review procedure. If the Retirement Committee fails to notify the Claimant of the decision regarding his or her claim in accordance with these "Claims Procedure" provisions, the claim shall be deemed denied and the Claimant shall then be permitted to proceed with the claims review procedure provided herein.

Within sixty (60) days following receipt by the Claimant of notice of the claim denial, or within sixty (60) days following the close of the ninety (90) day period referred to herein, or if the Retirement Committee fails to notify the Claimant of the decision within such ninety (90) day period, the Claimant may appeal denial of the claim by filing a written application for review with the Retirement Committee. Following such request for review, the Retirement Committee shall fully and fairly review the decision denying the claim. Prior to the decision of the Retirement Committee, the Claimant shall be given an opportunity to review pertinent documents and to submit issues and comments to the Retirement Committee in writing. The decision of the Retirement Committee shall be made within sixty (60) days following receipt by the Retirement Committee of the request for review (or within one hundred and twenty (120) days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing such denied claim). The Retirement Committee shall deliver its decision to the Claimant in writing. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review.

For all purposes under the Plan, the decision with respect to a claim if no review is requested and the decision with respect to a claim if review is requested shall be final, binding and conclusive on all interested parties as to matters relating to the Plan.

ARTICLE X

AMENDMENT AND TERMINATION

The Plan may be terminated or amended at any time by resolution of the Executive Committee of the Board of Directors of the Company, with the approval of the Executive Compensation Committee of the Board of Directors of Universal Corporation, which is communicated in writing to participants within sixty (60) days of its adoption. Such termination or amendment shall not affect or alter the benefits paid or obligations to any participant who retired prior to such termination or amendment and shall not affect or alter the benefits payable hereunder as a result of agreements entered into with Participants under the 1994 Deferred Income Plan; provided, however, that to the extent that benefits paid or payable, pursuant to such agreements may be modified, benefits payable under this Plan may also be modified accordingly.

ARTICLE XI

MISCELLANEOUS

Any notice which shall be or may be given under the Plan shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Company, such notice shall be addressed to the Company at P. O. Box 25099, Hamilton Street at Broad, Richmond, Virginia 23260, marked for the attention of the Secretary; or if notice to a Participant or beneficiary, addressed to the Participant's or beneficiary's last known address.

The Plan does not in any way obligate the Company to continue the employment of an employee with the Company, nor does it limit the right of the Company at any time to terminate a Participant's employment.

Masculine pronouns wherever used shall include feminine pronouns and the singular shall include the plural.

ARTICLE XII

EFFECTIVE DATE

The Plan shall be effective July 1, 1994.

EXHIBIT 21. SUBSIDIARIES OF THE REGISTRANT

	ORGANIZED UNDER LAW OF
UNIVERSAL CORPORATION	Virginia
(1) Universal Leaf Tobacco Company, Incorporated	Virginia
(1) K. R. Edwards Leaf Tobacco Company, Incorporated	Virginia
(1) Casa Export Limited	Virginia
(1) Grassland Holding, Incorporated	Kentucky
(1) Tabacos Del Pacifico Norte, S.A.	Mexico
(1) Tabacos Argentinos S.A.	Argentina
(3) Tabacos Aztecas, S.A.	Mexico
(1) Lancaster Leaf Tobacco Company of Pennsylvania, Inc.	Virginia
(1) Lancotab, N.V.	Belgium
(1) Lancaster Philippines, Incorporated	Philippines
(1) Latin America Tobacco Company	Virginia
(1) Maclin-Zimmer-McGill Tobacco Company, Incorporated	Virginia
(1) Simcoe Leaf Tobacco Company, Limited	Canada
(1) Southern Processors, Incorporated	Virginia
(1) Southwestern Tobacco Company, Incorporated	Virginia
(1) J. P. Taylor Company, Incorporated	Virginia
(1) Dunnington-Beach Tobacco Company, Incorporated	Virginia
(1) Thorpe & Ricks, Inc.	Virginia
(1) Thorpe-Greenville Export Tobacco Company	North Carolina
(1) Tobacco Processors, Incorporated	Virginia
(1) Universal Leaf Export Company, Incorporated	Guam
(1) Virginia Tobacco Company, Incorporated	Virginia
(1) Virsa, Incorporated	Virginia
(1) Winston Leaf Tobacco Company	Virginia
(1) R. P. Watson Company	North Carolina
(1) W. H. Winstead Company, Incorporated	Virginia
(1) B. V. European Tobacco Company	Netherlands
(1) L'Agricola, S.p.A.	Italy
(1) Deltafina, S.p.A.	Italy
(1) Forestab, S.p.A.	Italy

(1) Itofina, S.A.	Switzerland
(1) Orient Leaf Tobacco Co., Inc.	Philippines
(1) Greek Tobacco Trading Company	Greece
(1) Universal Leaf Tabacos Limitada	Brazil
(1) Tebe-Ele S.A. Comercio Exterior Ltda.	Brazil
(1) Fumossul S.A. Industria E Comercio	Brazil
(1) Universal Leaf Far East, Limited	Hong Kong
(1) Universal Leaf (International) Limited	United Kingdom
(1) Universal Yaprak Tutun Sanayi ve Ticaret A.S.	Turkey
(1) Continental Tobacco, S.A.	Switzerland
(1) Toutiana, S.A.	Switzerland
(1) Nyiregyhaza Tobacco Processing Company	Hungary
(1) Ultoco, S.A.	Switzerland
(2) Limbe Leaf Tobacco Company, Limited	Malawi
(2) Lytton Tobacco Company (Malawi) Limited	Malawi
(1) Gebruder Kulenkampff, Inc.	Virginia
(1) Gebruder Kulenkampff AG	Germany
(1) Tutuntex Ticaret A.S.	Turkey
(1) Armada Industria e Comercio de Fumos Ltda.	Brazil
(1) Industria AG	Switzerland
(2) Trestina Azienda Tabacchi, S.p.A.	Italy
(1) Latina Tabacchi Greggi Italiani, S.p.A.	Italy
(2) Thai-Am Tobacco Limited	Thailand
(3) Zimleaf Holdings Limited	Zimbabwe
(3) Lytton Tobacco Company, Limited	Zimbabwe
(3) Zimbabwe Leaf Tobacco Company (Private) Limited	Zimbabwe
(1) Casalee, Inc.	Virginia
(1) Casalee Tabak Lieferanten S.A.	Panama
(1) Casalee A.G.	Switzerland
(1) Casalee Belgium N.V.	Belgium
(1) Universal DC Holdings Ltd.	USA/United Kingdom
(1) Casalee Trading Limited	USA/United Kingdom
(1) C.G. Services Ltd.	United Kingdom
(1) Casalee (UK) Ltd.	United Kingdom
(3) Casalee Tobacco Processors (PVT) Ltd.	Zimbabwe
(1) Deli Universal, Inc.	Virginia
(1) Imperial Commodities Corporation	California

(1) Red River Foods, Inc.	Virginia
(1) HTC Commodity, Inc.	New Jersey
(1) Red River Commodities, Incorporated	North Dakota
(1) Harkema, Inc.	Connecticut
(1) Ermor Tabarama-Tabacos do Brasil Ltda.	Brazil
(1) Deli Holding U.K. Ltd.	United Kingdom
(1) Corrie, MacColl & Son Ltd.	United Kingdom
(1) Van Rees Ltd.	United Kingdom
(1) N.V. Deli Universal	Netherlands
(1) Deli-Maatschappij B.V.	Netherlands
(1) Jongeneel Holding B.V.	Netherlands
(1) Jongeneel B.V.	Netherlands
(1) Steffex Handelmattschappij B.V.	Netherlands
(2) Jadico and Specerijen B.V.	Netherlands
(1) B.V. Deli-HTL Tabak Maatschappij	Netherlands
(1) Industria Exportadora de Tabacos Dominicanos "Inetab" C. por	Dominican Republic
(1) Companhia Panamericana de Tabacos "Copata"	Dominican Republic
(1) Van Rees B.V.	Netherlands
(1) Van Rees Ceylon B.V.	Netherlands
(1) Indoco International B.V.	Netherlands

(1) Consolidated subsidiaries.

(2) Companies 20 percent or more owned by parent and earnings of which are recorded under the equity method of accounting.

(3) Company earnings are recorded under the cost method of accounting as the Company does not exercise significant influence over financial and operating policies or there exists exchange controls restricting the remittance of dividends, governmental or other uncertainties.

EXHIBIT 23.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of our report dated August 4, 1994 with respect to the consoldiated financial statements and schedule of Universal Corporation and subsidiaries included in this Annual Report (Form 10-K) for the year ended June 30, 1994.

Registration Statement Number	Description
33-21781	Form S-8
33-38652	Form S-8
33-55140	Form S-8
33-38148	Form S-8

/s/ ERNST & YOUNG LLP

Richmond, Virginia
September 27, 1994

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<MULTIPLIER> 1,000

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