

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **MERRILL LYNCH SENIOR FLOATING RATE FUND**

CIK: **853911** | IRS No.: **222998937** | State of Incorpor.: **MD** | Fiscal Year End: **0831**  
Type: **N-30D** | Act: **40** | File No.: **811-05870** | Film No.: **94554759**

Business Address  
*800 SCUDDERS MILL RD  
PLAINSBORO NJ 08536  
6092822800*

Merrill Lynch  
Senior Floating  
Rate Fund, Inc.

Annual Report August 31, 1994

This report, including the financial information herein, is transmitted to the shareholders of Merrill Lynch Senior Floating Rate Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report. Past performance results shown in this report should not be considered a representation of future performance.

Merrill Lynch  
Senior Floating Rate Fund, Inc.  
Box 9011  
Princeton, NJ 08543-9011

Dear Shareholder:

During the fiscal year ended August 31, 1994, Merrill Lynch Senior Floating Rate Fund, Inc. was invested in a decidedly different environment than the one that existed over the previous three years. The steady rise in interest rates that began in February, that resulted in increased volatility in the US financial markets and a generally poor performance by the fixed-income sector, had a very positive effect on the Fund's yield performance. On August 16, 1994, in an effort to remove some uncertainty in the financial markets and keep inflation at bay, the Federal Reserve Board raised short-term interest rates for the fifth time this year by increasing the discount rate it charges on loans by 50 basis points (0.50%) to 4.00% and by pushing the Federal Funds target rate to 4.75% from 4.25%. In its statement accompanying the interest rate increases, the Federal Reserve Board noted that "these actions are expected to be sufficient, at least for a time, to meet the objectives of sustained, non-inflationary growth." However, selected higher-than-expected economic indicators subsequent to the end of the period reflected continued strong economic growth and the specter of renewed inflationary fears, and further increases in short-term interest rates.

Over 97% of the Fund's investments in corporate loans are currently accruing interest at a spread above the London Interbank Offered Rate (LIBOR), the rate that major international banks charge each other for dollar-denominated deposits outside the United States. LIBOR has historically tracked very closely with other short-term interest rates in the United States, particularly the Federal Funds rate. Since the first tightening of monetary policy by the Federal Reserve Board in February, three-month LIBOR has risen from 3.25% to 5.00%, an increase of 175 basis points. Since the average reset on the Fund's investments underlying LIBOR rates is 48 days, the Fund's yield is likely to continue to benefit from this latest interest rate increase as it moves through its resets over the coming months.

#### Portfolio Performance

With this interest rate environment and economic growth as a backdrop, Merrill Lynch Senior Floating Rate Fund, Inc. ended its fiscal year with approximately \$792.8 million out of \$934.5 million, or 84.8%, of its net assets invested in corporate loan interests.

Assets not invested in loan interests were invested in high-quality, short-term securities.

The Fund's effective net annualized yield for the 12-month period ended August 31, 1994 was 5.73%, compared to a yield of 5.27% for the prior fiscal year. The positive effect on the Fund's yield of an upward move in short-term interest rates was partially offset by a 31% increase in net assets as new subscriptions increased during the second half of the fiscal year. This increase affected the Fund's cash position during the period. The Fund's net asset value remained relatively stable throughout the period. During the August quarter, the Fund earned \$0.163 per share income dividends, representing a net annualized yield of 6.47%, based on a month-end per share net asset value of \$10.02. The Fund's total investment return for the same period was +1.73%, based on a stable net asset value and assuming reinvestment of \$0.162 per share income dividends. Since inception (November 3, 1989) through August 31, 1994, the Fund's total investment return was +39.81%, based on a per share net asset value of \$10.02, and assuming reinvestment of \$3.322 per share income dividends.

#### Investment Activities

Our investment strategy during the fiscal year remained unchanged. We continue to invest in leveraged transactions in which the borrower has strong market share, experienced management, consistent cash flows, and appropriate risk/reward in the form of its floating interest rate spread over the prime rate or LIBOR. In addition, we look for companies with significant underlying asset and franchise value, strong capital structures, and equity sponsors with a history of supporting their investments. The advantages of adhering to this strategy are borne out by both the relative stability of the Fund's net asset value and the continued flexibility of our borrowers to access the capital markets.

During the early part of the fiscal year, we faced the challenge of staying fully invested in a market characterized by numerous refinancings via the public debt and equity markets. These transactions included Playtex Family Products Inc. and Jefferson Smurfit/Container Corporation of America. Other holdings involved the refinancing and repricing of the bank debt as a result of improved earnings and financial characteristics. Such names as Circle K Acquisition Corp., Jack Eckerd Corp., Flagstar Corp., Crown Pacific Inland, MAFCO Worldwide, Freedom Chemical Company, Overhead Door Corp., and Berg Electronics Inc. were examples of such borrowers. And lastly, the Fund continued to be selective in its investment in new leveraged transactions coming to the market during the course of the year. Our newest investments include InterMetro Industries, the leading manufacturer and marketer of storage and material transport products serving the food service and healthcare industries, and Thrifty Payless, a combination acquisition of two of the largest drug store chains in the western United States.

In the second half of the fiscal year, the Fund experienced far less turnover as the public markets cooled considerably with the rise in interest rates. The Fund purchased over \$205 million in new loans during the fourth quarter alone, with little in the way of major prepayments except for Flagstar Corp. (\$10.5 million). These purchases were offset with limited sales during the period as secondary trading took a back seat to investing in primary syndications in the leveraged bank loan market.

As of August 31, 1994, the Fund was invested in 49 different borrowers across 22 industries. The largest industry concentrations were: diversified manufacturing, 12.0% of net assets; paper, 9.4%; food and beverage, 8.0%; aerospace, 7.3%; and grocery, 6.9%. The average loan size equaled \$16.5 million, or 1.8% of net assets.

The Fund completed its latest quarterly tender offer on July 15, 1994 with 2.2 million shares tendered and accepted for repurchase. The next tender began on September 16, 1994 and concludes on October 14, 1994. The Fund remains open for new shareholder purchases.

#### Investment Outlook

In light of the recent volatility in the fixed-income markets, we believe the Fund is well-positioned to not only benefit from the improving credit environment as the economy expands, but also to seek to provide shareholders with the upside yield potential from investing in floating rate senior collateralized loans.

We thank you for your investment in Merrill Lynch Senior Floating Rate Fund, Inc., and we look forward to reviewing our outlook and strategy with you again in our next report to shareholders.

Sincerely,

(Arthur Zeikel)  
 Arthur Zeikel  
 President

(R. Douglas Henderson)  
 R. Douglas Henderson  
 Vice President and Portfolio Manager

September 29, 1994

<TABLE>  
 Merrill Lynch Senior Floating Rate Fund, Inc.  
 Schedule of Investments as of August 31, 1994  
 <CAPTION>

(in Thousands)

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<S>	<C>	<C>
Aerospace -- 7.33%	Allison Engine Co., Term Loan B, due 12/31/98, 7.25% to 9/08/94	\$ 25,000	\$ 25,000
	Aviall Inc., Term Loan B, due 11/30/00:		
	7.75% to 9/07/94	3,640	3,640
	7.69% to 10/07/94	4,853	4,853
	8.19% to 12/07/94	12,132	12,132
	Gulfstream Aerospace Corp., Revolving Credit Loan, due 3/31/98:		
	9.00%(1)	308	308
	7.00% to 10/21/94	1,923	1,923
	Gulfstream Aerospace Corp., Term Loan, due 3/31/97, 7.63% to 1/13/95	11,374	11,374
	Gulfstream Aerospace Corp., Term Loan, due 3/31/98, 7.57% to 9/08/94	9,260	9,260
		-----	-----
		68,490	68,490
Airlines -- 1.49%	Northwest Airlines, Inc., Term Loan, due 9/15/97:		
	7.375% to 9/12/94	217	217
	7.25% to 10/20/94	6,603	6,603
	7.3125% to 10/20/94	105	105
	7.50% to 10/20/94	2,809	2,809
	7.625% to 11/10/94	1,165	1,165
	7.625% to 12/21/94	3,057	3,057
		-----	-----
		13,956	13,956
Analytical Instruments -- 2.86%	Elsag Bailey, Term Loan, due 8/30/02, 7.0625% to 9/19/94	14,000	14,000
	Waters Corp., Term Loan B, due 8/31/01, 10.125%(1)	5,644	5,644
	Waters Corp., Term Loan C, due 8/31/02, 10.50%(1)	3,950	3,950
	Waters Corp., Term Loan D, due 2/28/03, 10.875%(1)	3,175	3,175
		-----	-----
		26,769	26,769
Broadcast/Media -- 1.93%	Silver King Communications, Term Loan B, due 7/31/02, 7.8125% to 11/03/94	18,000	18,000
Building Materials -- 1.29%	Overhead Door Corp., Revolving Credit Loan, due 8/18/99, 9.25%(1)	205	205
	Overhead Door Corp., Revolving Credit Loan, due 8/18/99, 7.3125% to 9/30/94	1,978	1,978
	Overhead Door Corp., Term Loan, due 8/18/99, 7.3125% to 9/30/94	9,886	9,886
		-----	-----
		12,069	12,069
Chemicals -- 4.47%	Freedom Chemical Company, Term Loan B, due 6/30/02, 8.1875% to 11/30/94	20,000	20,000
	Inspec Technologies, Term Loan B, due 12/02/00, 7.4375% to 9/30/94	5,000	5,000
	OSI Specialties, Inc., Term Loan, due 6/30/00:		
	7.34% to 9/15/94	4,773	4,773
	7.57% to 9/22/94	4,512	4,512
	Thoro PCR, Inc., Term Loan A, due 12/30/99:		
	7.57% to 9/26/94	39	39
	7.57% to 10/25/94	1,166	1,166
	Thoro PCR, Inc., Term Loan B, due 12/30/01, 7.82% to 10/25/94	2,431	2,431
	Thoro Systems Products Inc., Term Loan A, due 12/30/99:		
	7.57% to 9/26/94	24	24
	7.57% to 10/25/94	733	733
	Thoro Systems Products, Inc., Term Loan B, due 12/30/01, 7.82% to 10/25/94	1,528	1,528
	Thoro Worldwide Inc., Term Loan A, due 12/30/99:		
	7.57% to 9/26/94	17	17
	7.57% to 10/25/94	500	500
	Thoro Worldwide, Inc., Term Loan B, due 12/30/01,		

7.82% to 10/25/94

1,042

1,042

-----  
41,765-----  
41,765

Computing  
Equipment -- 1.44% Lexmark Holdings, US, Term Loan, due 3/27/98:  
7.2813% to 9/30/94  
7.3125% to 10/31/94

7,319

7,319

6,106

6,106

-----  
13,425-----  
13,425

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Merrill Lynch Senior Floating Rate Fund, Inc.  
Schedule of Investments as of August 31, 1994 (continued)

(in Thousands)

&lt;CAPTION&gt;

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<S>	<C>	<C>
Consumer Products -- 2.13%	Playtex Family Products Inc., Term Loan B, due 6/01/01, 7.88% to 10/11/94	\$ 19,857	\$ 19,857
Containers -- 2.90%	Ivex Packaging Corp., Term Loan B, due 12/31/99: 10.00%(1) 7.75% to 9/26/94 8.19% to 9/26/94 8.82% to 2/24/95 Portola Packaging, Inc., Term Loan B, due 7/01/99, 8.25% to 9/08/94 Silgan Corp., Term Loan B, due 9/15/96: 8.188% to 12/07/94 8.125% to 12/09/94	279 6,000 857 2,714 7,250 5,000 5,000 ----- 27,100	279 6,000 857 2,714 7,250 5,000 5,000 ----- 27,100
Diversified Manufacturing -- 12.05%	American Standard, Inc., Term Loan A, due 6/01/00: 8.00% to 12/02/94 8.0625% to 12/02/94 Desa International Inc., Term Loan B, due 11/30/00, 7.875% to 9/27/94 InterMetro Industries, Term Loan B, due 6/30/01, 8.32% to 1/03/95 InterMetro Industries, Term Loan C, due 12/31/02, 8.82% to 1/03/95 Joy Technologies, Inc., Term Loan B, due 12/31/98: 7.8125% to 9/29/94 8.00% to 11/28/94 The Pullman Co., Inc., Term Loan, due 9/30/96: 9.00%(1) 9.25%(1) 6.8125% to 9/15/94 7.0625% to 9/15/94 7.00% to 9/29/94 7.25% to 9/29/94 7.25% to 10/14/94 7.50% to 10/14/94 TDII Company, Term Loan B, due 2/01/01: 9.00%(1) 6.9375% to 9/02/94 7.8125% to 11/03/94	22,222 2,472 10,000 10,185 14,815 9,898 2,939 1,139 2,709 1,181 2,810 1,772 4,215 603 1,436 64 21,125 3,000 ----- 112,585	22,222 2,472 10,000 10,185 14,815 9,898 2,939 1,139 2,709 1,181 2,810 1,772 4,215 603 1,436 64 21,125 3,000 ----- 112,585
Drug Stores -- 5.27%	Duane Reade Co., Term Loan A, due 9/30/97: 7.8125% to 9/30/94 8.00% to 11/30/94 Duane Reade Co., Term Loan B, due 9/30/99, 8.50% to 11/30/94 Jack Eckerd Corp., Term Loan, Series C, due 7/31/2000, 6.00% to 9/06/94 Thrifty Payless, Term Loan B, due 9/30/01, 8.125% to 11/23/94	512 12,067 10,000 13,383 13,275 ----- 49,237	512 12,067 10,000 13,383 13,275 ----- 49,237
Electrical Instruments -- 1.96%	Berg Electronics Inc., Term Loan A, due 3/31/00: 7.5625% to 9/26/94 7.625% to 11/25/94 Berg Electronics Inc., Term Loan B, due 6/30/01: 9.50%(1) 7.875% to 11/25/94	242 12,088 25 5,975 ----- 18,330	242 12,088 25 5,975 ----- 18,330
Food & Beverage -- 7.98%	American Italian Pasta, Term Loan C, due 12/31/00, 8.25% to 9/08/94 Domino's Pizza, Inc., Term Loan B, due 7/27/00, 7.50% to 9/06/94 Heileman Acquisition Company, Term Loan B, due 12/31/00, 7.5625% to 10/13/94	5,000 15,000 10,000	5,000 15,000 10,000

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Merrill Lynch Senior Floating Rate Fund, Inc.

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<S>	<C>	<C>
Food & Beverage (concluded)	MAFCO Worldwide, Term Loan B, due 6/30/01, 7.94% to 10/07/94	\$ 10,000	\$ 10,000
	President Baking Co., Inc., Term Loan B, due 9/30/00, 7.5625% to 9/23/94	4,988	4,988
	Specialty Foods Corp., Term Loan B, due 8/31/99, 7.69% to 10/18/94	12,400	12,400
	Specialty Foods Corp., Term Loan B3, due 8/31/99:		
	9.75%(1)	207	207
	8.19% to 10/18/94	16,936	16,936
		-----	-----
		74,531	74,531
Fuel Distribution -- 3.30%	Petrolane, Inc., Term Loan B, due 12/31/99:		
	6.8125% to 9/28/94	396	396
	6.9375% to 9/30/94	1,551	1,551
	6.9375% to 10/28/94	28,888	28,888
		-----	-----
		30,835	30,835
Grocery -- 6.94%	Big V Supermarkets Inc., Term Loan B, due 3/15/00:		
	7.625% to 10/17/94	5,200	5,200
	7.75% to 11/15/94	5,200	5,200
	Circle K Acquisitions Corp., Term Loan B, due 7/31/01, 6.8125% to 9/29/94	15,000	15,000
	Grand Union Company, Term Loan B, due 6/30/98:		
	9.75%(1)	48	48
	8.125% to 9/06/94	6,333	6,333
	7.625% to 9/09/94	6,667	6,667
	Pathmark Stores Inc., Term Loan B, due 10/31/99, 7.8125% to 9/26/94	10,000	10,000
	Ralph's Grocery Company, Term Loan, due 6/30/98:		
	7.375% to 9/07/94	7,715	7,715
	7.625% to 9/14/94	301	301
	7.50% to 9/19/94	301	301
	7.5625% to 9/29/94	1,959	1,959
	7.4375% to 10/04/94	518	518
	7.625% to 10/24/94	301	301
	7.5625% to 11/09/94	5,328	5,328
		-----	-----
		64,871	64,871
High Technology -- 1.25%	Anacomp, Inc., Term Loan, due 3/31/96, 7.5625% to 10/26/94	1,238	1,238
	Anacomp, Inc., Term Loan C, due 3/31/96, 7.5625% to 10/26/94	10,405	10,405
		-----	-----
		11,643	11,643
Medical Devices -- 1.06%	Deknatel Holdings Corp., Term Loan A, due 4/20/99, 7.8125% to 10/25/94	2,417	2,417
	Deknatel Holdings Corp., Term Loan B, due 4/20/01, 8.3125% to 10/25/94	7,500	7,500
		-----	-----
		9,917	9,917
Nautical Systems -- 1.10%	Sperry Marine, Inc., Term Loan, due 11/15/00:		
	7.4375% to 9/23/94	5,378	5,378
	8.25% to 12/23/94	4,947	4,947
		-----	-----
		10,325	10,325
Paper -- 9.37%	++Fort Howard Corp., Senior Secured B Notes, due 9/11/98, 7.57% to 9/12/94	5,000	5,000
	++Fort Howard Corp., Senior Secured D Notes, due 9/11/00, 8.00% to 9/12/94	20,000	20,000
	Fort Howard Corp., Term Loan, due 12/31/96:		
	8.25%(1)	1	1
	9.125%(1)	5	5
	7.125% to 11/30/94	1,791	1,791
	7.25% to 11/30/94	486	486
	Jefferson Smurfit/Container Corp. of America, Term Loan B, due 4/30/02, 7.875% to 10/24/94	44,000	44,000
	Stone Container, Canadian Tender Loan, due 3/01/97:		
	7.5625% to 9/12/94	1,160	1,160
	7.75% to 9/19/94	5,905	5,905
	7.8125% to 9/29/94	999	999

&lt;/TABLE&gt;

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Merrill Lynch Senior Floating Rate Fund, Inc.  
Schedule of Investments as of August 31, 1994 (concluded)  
<CAPTION>

(in Thousands)

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<S>	<C>	<C>
Paper (concluded)	Stone Container, Canadian Term Loan, due 3/01/97, 7.8125% to 9/29/94	\$ 786	\$ 786
	Stone Container, US, Term Loan, due 3/01/97:		
	7.75% to 9/19/94	6,519	6,519
	7.8125% to 9/29/94	936	936

		----- 87,588	----- 87,588
Retail -- Specialty -- Music Acquisition Corp., Term Loan B, due 8/31/01:			
5.62%	7.6875% to 9/16/94	14,062	14,062
	8.375% to 2/17/95	8,297	8,297
	Music Acquisition Corp., Term Loan C, due 8/31/02, 8.0625% to 9/20/94	7,500	7,500
	Saks & Co., Term Loan B, due 6/30/00, 7.88% to 11/09/94	22,662	22,662
		-----	-----
		52,521	52,521
Transportation Services -- 0.96%	Petro Properties, Term Loan B, due 5/24/01, 7.875% to 9/30/94	9,000	9,000
Warehousing & Storage -- 2.14%	Pierce Leahy Corp., Term Loan B, due 6/30/01, 7.75% to 9/01/94	20,000	20,000
	Total Senior Secured Floating Rate Loan Interests (Cost -- \$792,814) -- 84.84%	792,814	792,814

<CAPTION>

	Short-Term Securities		
<S>	<S>	<C>	<C>
Commercial Paper** -- 13.40%	ABN AMRO North American Finance, Inc., 4.33% due 9/01/94	20,000	20,000
	DuPont (E.I.) de Nemours & Co., 4.46% due 9/20/94	25,000	24,941
	General Electric Capital Corp., 4.75% due 9/01/94	45,333	45,333
	JC Penney Funding Corp:		
	4.71% due 9/02/94	15,000	14,998
	4.75% due 10/03/94	20,000	19,916
	Total Short-Term Securities (Cost -- \$125,188) -- 13.40%	125,333	125,188

<CAPTION>

	Common Stock	Shares Held	
<S>	<S>	<C>	<C>
Restaurants -- 0.03%	++TW Services, Inc. (Cost -- \$0) -- 0.03%	44	276
	Total Common Stock (Cost -- \$0) -- 0.03%	44	276
	Total Investments (Cost \$918,003) -- 98.27%		918,278
	Other Assets Less Liabilities -- 1.73%		16,185
	Net Assets -- 100.00%		----- \$934,463 =====

<FN>

\*The interest rates on senior secured floating rate loan interests are subject to change periodically based on the change in the prime rate of a US Bank, LIBOR (London Interbank Offered Rate), or, in some cases, another base lending rate. The interest rates shown are those in effect at August 31, 1994.

\*\*Commercial Paper is traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund.

(1) Index is based on the prime rate of a US bank, which is subject to change daily.

++Restricted security as to resale. The value of the Fund's investment in restricted securities was approximately \$25,276,000, representing 2.70% of net assets.

	Cost (In Thousands)	Acquisition Date
Senior Secured Notes		
Fort Howard Corp.	\$ 25,000	9/11/91
Common Stock		
TW Services, Inc.	\$ 0	6/03/91

The closing bid price for TW Services, Inc. Common Stock on August 31, 1994 was \$7.75 per share.

See Notes to Financial Statements.

</TABLE>

<TABLE>		
Merrill Lynch Senior Floating Rate Fund, Inc.		
Statement of Assets and Liabilities as of August 31, 1994		
<S>	<C>	<C>
Assets:		
Investments, at value (identified cost--\$918,002,800) (Note 1b)		\$918,278,390
Cash		210,029
Receivables:		
Capital shares sold	\$20,081,292	
Interest	6,276,867	
Commitment fees	8,223	26,366,382
	-----	
Deferred facility fees (Note 6)		26,677
Deferred organization expenses (Note 1e)		29,912
Prepaid registration fees and other assets (Note 1e)		79,303
		-----
Total assets		944,990,693
		-----
Liabilities:		
Payables:		
Dividends to shareholders (Note 1f)	1,419,683	
Investment adviser (Note 2)	715,246	
Administrator (Note 2)	188,222	2,323,151
	-----	
Deferred income (Note 1d)		7,931,680
Accrued expenses and other liabilities		273,165
		-----
Total liabilities		10,527,996
		-----
Net assets		\$934,462,697
		=====
Net Assets Consist of:		
Common Stock, par value \$0.10 per share; 1,000,000,000 shares authorized		\$ 9,329,959
Paid-in capital in excess of par		924,897,903
Accumulated realized capital losses--net (Note 7)		(40,755)
Unrealized appreciation on investments--net (Note 3)		275,590
		-----
Net Assets--Equivalent to \$10.02 per share based on 93,299,587 shares of beneficial interest outstanding		\$934,462,697
		=====
See Notes to Financial Statements.		
</TABLE>		

<TABLE>		
Merrill Lynch Senior Floating Rate Fund, Inc.		
Statement of Operations for the Year Ended August 31, 1994		
<S>	<C>	<C>
Investment Income (Note 1d):		
Interest and discount earned		\$ 47,936,055
Facility and other fees		6,024,792
		-----
Total income		53,960,847
Expenses:		
Investment advisory fees (Note 2)	\$ 7,145,339	
Administrative fees (Note 2)	1,880,353	
Transfer agent fees (Note 2)	555,878	
Borrowing costs (Note 6)	202,074	
Professional fees	182,066	
Amortization of organization expenses (Note 1e)	179,472	
Registration fees (Note 1e)	134,054	
Tender offer costs	95,134	
Printing and shareholder reports	82,974	
Custodian fees	72,441	
Directors' fees and expenses	54,763	
Accounting services (Note 2)	51,304	
Other	111,583	
	-----	
Total expenses		10,747,435
		-----
Investment income--net		43,213,412
Realized Loss on Investments--Net (Notes 1d & 3)		(13,985)
Change in Unrealized Appreciation/Depreciation on Investments--Net (Note 3)		(124,460)
		-----
Net Increase in Net Assets Resulting from Operations		\$ 43,074,967
		=====



See Notes to Financial Statements.  
</TABLE>

Merrill Lynch Senior Floating Rate Fund, Inc. Statements of Changes in Net Assets	For the Year Ended August 31,	
<S>	1994	1993
	<C>	<C>
Increase (Decrease) in Net Assets:		
Operations:		
Investment income--net	\$ 43,213,412	\$ 39,934,642
Realized gain (loss) on investments--net	(13,985)	2,039
Change in unrealized appreciation/depreciation on investments--net	(124,460)	2,394,855
	-----	-----
Net increase in net assets resulting from operations	43,074,967	42,331,536
	-----	-----
Dividends to Shareholders (Note 1f):		
Investment income--net	(43,213,412)	(39,934,642)
	-----	-----
Net decrease in net assets resulting from dividends to shareholders	(43,213,412)	(39,934,642)
	-----	-----
Capital Shares Transactions (Note 4):		
Net increase (decrease) in net assets derived from capital share transactions	221,301,485	(123,412,312)
	-----	-----
Net Assets:		
Total increase (decrease) in net assets	221,163,040	(121,015,418)
Beginning of year	713,299,657	834,315,075
	-----	-----
End of year	\$934,462,697	\$713,299,657
	=====	=====

</TABLE>

Merrill Lynch Senior Floating Rate Fund, Inc. Statement of Cash Flows	For the Year Ended August 31, 1994	
<S>	<C>	
Cash Provided by Operating Activities:		
Net increase in net assets resulting from operations		\$ 43,074,967
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:		
Increase in receivables		(1,948,885)
Decrease in other assets		259,876
Increase in other liabilities		1,500,087
Realized and unrealized loss on investments--net		138,445
Amortization of discount		(1,636,509)
		-----
Net cash provided by operating activities		41,387,981
		-----
Cash Used for Investing Activities:		
Proceeds from principal payments and sales of loan interests		399,035,411
Purchases of loan interests		(585,914,057)
Purchases of short-term investments--net		(15,661,889)
		-----
Net cash used for investing activities		(202,540,535)
		-----
Cash Provided by Financing Activities:		
Cash receipts on capital shares sold		334,644,640
Cash payments on capital shares tendered		(153,795,940)
Dividends paid to shareholders		(19,486,117)
		-----
Net cash provided by financing activities		161,362,583
		-----
Cash:		
Net increase in cash		210,029
Cash at beginning of year		--
		-----
Cash at end of year		\$ 210,029
		=====
Non-Cash Financing Activities:		
Capital shares issued in reinvestment of dividends paid to shareholders		\$ 23,136,748
		=====

See Notes to Financial Statements.  
</TABLE>

<TABLE>  
Merrill Lynch Senior Floating Rate Fund, Inc.

Financial Highlights  
<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

	For the Year Ended August 31,				For the Period Nov. 3, 1989++ to Aug. 31, 1990
Increase (Decrease) in Net Asset Value:	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:					
Net asset value, beginning of period	\$10.02	\$ 9.99	\$ 9.99	\$10.00	\$10.00
Investment income--net	.59	.53	.64	.85	.76
Realized and unrealized gain (loss) on investments--net	--	.03	--	(.01)	--
Total from investment operations	.59	.56	.64	.84	.76
Less Dividends:					
Investment income--net	(.59)	(.53)	(.64)	(.85)	(.76)
Net asset value, end of period	\$10.02	\$10.02	\$ 9.99	\$ 9.99	\$10.00
Total Investment Return:*	5.94%	5.74%	6.58%	8.79%	7.63%+++
Based on net asset value per share	=====	=====	=====	=====	=====
Ratios to Average Net Assets:					
Expenses, net of reimbursement	1.43%	1.47%	1.39%	1.27%	.79%**
Expenses	1.43%	1.47%	1.41%	1.33%	1.35%**
Investment income--net	5.75%	5.27%	6.58%	8.44%	9.06%**
Supplemental Data:					
Net assets, end of period (in millions)	\$ 934	\$ 713	\$ 834	\$1,705	\$1,728
Portfolio turnover	61.31%	90.36%	46.48%	58.22%	29.61%

<FN>

\*Total investment returns exclude the effects of sales loads. The Fund is a continuously offered closed-end fund, the shares of which are offered at net asset value. Therefore, no separate market exists.

\*\*Annualized.

++Commencement of Operations.

+++Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

Notes to Financial Statements

1. Significant Accounting Policies:

Merrill Lynch Senior Floating Rate Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a continuously offered non-diversified, closed-end management investment company.

(a) Loan participation interests -- The Fund invests in senior secured floating rate loan interests ("Loan Interests") with collateral having a market value, at time of acquisition by the Fund, which Fund management believes equals or exceeds the principal amount of the corporate loan. The Fund may invest up to 20% of its total assets in loans made on an unsecured basis. Depending on how the loan was acquired, the Fund will regard the issuer as including the corporate borrower along with an agent bank for the syndicate of lenders and any intermediary for the Fund's investment. Because agents and intermediaries are primarily commercial banks, the Fund's investment in corporate loans at August 31, 1994 could be considered to be concentrated in commercial banking.

(b) Valuation of investments -- Loan Interests and common stocks are valued at fair value. Fair value is determined in good faith by or under the direction of the Board of Directors of the Fund. Since Loan Interests are purchased and sold primarily at par value, the Fund values the Loan Interests at par, unless Merrill Lynch Asset Management, L.P. ("MLAM") determines par does not represent fair value. In the event such a determination is made, fair value will be determined in accordance with guidelines approved by the Fund's Board of Directors. Short-term securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities and assets for which market quotations are not readily available are valued at fair value as

determined in good faith by or under the direction of the Board of Directors of the Fund.

(c) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis. Facility fees are accreted into income over the term of the related loan.

(e) Deferred organization expenses and prepaid registration fees -- Deferred organization expenses are amortized on a straight-line basis over a five year period. Prepaid registration fees are charged to expense as the related shares are issued.

(f) Dividends and distributions -- Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

## 2. Investment Advisory and Administrative Services Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with MLAM. Effective January 1, 1994, the investment advisory business of MLAM was reorganized from a corporation to a limited partnership. Both prior to and after the reorganization, ultimate control of MLAM was vested with Merrill Lynch & Co., Inc. ("ML & Co."). The general partner of MLAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of ML & Co. The limited partners are ML & Co. and Merrill Lynch Investment Management, Inc. ("MLIM"), which is also an indirect wholly-owned subsidiary of ML & Co.

## Notes to Financial Statements (concluded)

MLAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to perform this investment advisory function.

For such services, the Fund pays a monthly fee at an annual rate of 0.95% of the Fund's average daily net assets. The Fund also has an Administrative Services Agreement with MLAM whereby MLAM will receive a fee equal to an annual rate of 0.25% of the Fund's average daily net assets on a monthly basis, in return for the performance of administrative services (other than investment advice and related portfolio activities) necessary for the operation of the Fund. The Investment Advisory Agreement obligates MLAM to reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, brokerage fees, commissions, and extraordinary items) exceed the lesser of a) 2.0% of the Fund's average daily net assets or b) 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the next \$70 million of average daily net assets, and 1.5% of the average daily net assets in excess thereof. No fee payment will be made to the Investment Adviser during any fiscal year which will cause such expenses to exceed the most restrictive expense limitation applicable at the time of such payment.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of ML & Co., is the Fund's transfer agent.

Accounting services are provided to the Fund by MLAM at cost.

Certain officers and/or trustees of the Fund are officers and/or directors of MLIM, MLAM, FDS, PSI, or Merrill Lynch, Pierce, Fenner & Smith Incorporated, and/or ML & Co.

## 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended August 31, 1994 were \$585,914,057 and \$399,035,411, respectively.

Net realized and unrealized gains (losses) as of August 31, 1994 were as follows:

Realized	Unrealized
Losses	Gains

Short-term investments	\$ (13,985)	--
Common stock	--	\$ 275,590
	-----	-----
Total	\$ (13,985)	\$ 275,590
	=====	=====

As of August 31, 1994, net unrealized appreciation for financial reporting and Federal income tax purposes aggregated \$275,590, all of which related to appreciated securities. The aggregate cost of investments at August 31, 1994 for Federal income tax purposes was \$918,002,800.

#### 4. Capital Share Transaction:

Transactions in capital shares were as follows:

For the Year Ended August 31, 1994	Shares	Dollar Amount
Shares sold	35,126,101	\$ 351,960,677
Shares issued to share- holders in reinvestment of dividends	2,309,056	23,136,748
	-----	-----
Total issued	37,435,157	375,097,425
Shares tendered	(15,348,896)	(153,795,940)
	-----	-----
Net increase	22,086,261	\$ 221,301,485
	=====	=====

For the Year Ended August 31, 1993	Shares	Dollar Amount
Shares sold	14,572,615	\$ 145,750,963
Shares issued to share- holders in reinvestment of dividends	2,112,254	21,124,039
	-----	-----
Total issued	16,684,869	166,875,002
Shares tendered	(29,022,869)	(290,287,314)
	-----	-----
Net decrease	(12,338,000)	\$ (123,412,312)
	=====	=====

#### 5. Unfunded Loan Interests:

As of August 31, 1994, the Fund had unfunded loan commitments of \$15,751,105, which would be extended at the option of the borrower, pursuant to the following loan agreements:

Borrower	Unfunded Commitment (in thousands)
Gulfstream Corp.	\$7,961
Northwest Airlines, Inc.	4,858
Overhead Door Corp.	2,932

#### 6. Short-Term Borrowings:

On March 16, 1994, the Fund extended its loan commitment. The commitment is for \$100,000,000, bearing interest at the Federal Funds Rate plus 1%--3% on the outstanding balance. The Fund had no borrowings under this commitment during the year ended August 31, 1994. For the year ended August 31, 1994, facility and commitment fees aggregated approximately \$202,000.

#### 7. Capital Loss Carryforward:

At August 31, 1994, the Fund had a net capital loss carryforward of approximately \$34,000, all of which expires in 2001. These will be available to offset like amounts of any future taxable gains.

#### 8. Subsequent Event:

The Fund began a quarterly tender offer on September 16, 1994.

<AUDIT-REPORT>

Senior Floating Rate Fund, Inc.  
Independent Auditors' Report

The Board of Directors and Shareholders, Merrill Lynch Senior  
Floating Rate Fund, Inc.:

We have audited the accompanying statement of assets and liabilities,

including the schedule of investments of Merrill Lynch Senior Floating Rate Fund, Inc. as of August 31, 1994, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the four-year period then ended and the period November 3, 1989 (commencement of operations) to August 31, 1990. These financial statements and the financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and the financial highlights 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 and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at August 31, 1994 by correspondence with the custodian and financial intermediaries. An audit also includes assessing the accounting 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, such financial statements and financial highlights present fairly, in all material respects, the financial position of Merrill Lynch Senior Floating Rate Fund, Inc. at August 31, 1994, the results of its operations, its cash flows, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

As discussed in Notes 1a and 1b, the financial statements include senior secured floating rate loan interests ("Loan Interests") valued at \$792,814,431 (84.84% of all net assets of the Fund), whose values are fair values as determined by or under the direction of the Board of Directors in the absence of actual market values. Determination of fair value involves subjective judgment, as the actual market value of a particular Loan Interest can be established only by negotiation between the parties in a sales transaction. We have reviewed the procedures established by the Board of Directors and used by the Fund's investment adviser in determining the fair values of such Loan Interests and have inspected underlying documentation, and under the circumstances, we believe that the procedures are reasonable and the documentation appropriate.

Deloitte & Touche LLP  
Princeton, New Jersey  
October 6, 1994

</AUDIT-REPORT>

#### Officers and Directors

Arthur Zeikel--President and Director  
Ronald W. Forbes--Director  
Cynthia A. Montgomery--Director  
Charles C. Reilly--Director  
Kevin A. Ryan--Director  
Richard R. West--Director  
Terry K. Glenn--Executive Vice President  
N. John Hewitt--Senior Vice President  
Donald C. Burke--Vice President  
R. Douglas Henderson--Vice President  
Gerald M. Richard--Treasurer  
Patrick D. Sweeney--Secretary

#### Custodian

The Bank of New York  
110 Washington Street  
New York, New York 10286

#### Transfer Agent

Financial Data Services, Inc.  
4800 Deer Lake Drive East  
Jacksonville, Florida 32246-6484  
(800) 637-3863