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HERZFELD CARIBBEAN BASIN FUND INC
Form N-CSR
September 05, 2003

OMB APPROVAL

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-06445

The Herzfeld Caribbean Basin Fund, Inc.

(Exact name of registrant as specified in charter)

P.O. BOX 161465, MIAMI, FLORIDA 33116

(Address of principal executive offices) (Zip code)

THOMAS J. HERZFELD

P.O. BOX 161465, MIAMI, FL 33116

(Name and address of agent for service)

Registrant's telephone number, including area code: 305-271-1900

Date of fiscal year end: 06/30/2003

Date of reporting period: 06/30/2003

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the

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burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SHAREHOLDER REPORT

THE HERZFELD
CARIBBEAN BASIN
FUND, INC.

ANNUAL REPORT
JUNE 30, 2003

THE HERZFELD CARIBBEAN BASIN FUND, INC.
The Herzfeld Building
PO Box 161465
Miami, FL 33116
(305) 271-1900

INVESTMENT ADVISOR
HERZFELD/CUBA
a division of Thomas J. Herzfeld Advisors, Inc.
PO Box 161465
Miami, FL 33116
(305) 271-1900

TRANSFER AGENT & REGISTRAR
Investors Bank & Trust Company
200 Clarendon Street, 16th Floor
Boston, MA 02116
(617) 443-6870

CUSTODIAN
Investors Bank & Trust Company
200 Clarendon Street, 5th Floor
Boston, MA 02116

COUNSEL
Pepper Hamilton LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103

INDEPENDENT AUDITORS
Kaufman, Rossin & Co., P.A.
2699 South Bayshore Drive
Miami, FL 33133
www.kaufmanrossin.com

Listed NASDAQ SmallCap Market
Symbol: CUBA

The Herzfeld Caribbean Basin Fund's investment objective is long-term capital appreciation. To achieve its objective, the Fund invests in issuers that are likely, in the Advisor's view, to benefit from economic, political, structural and technological developments in the countries in the Caribbean Basin, which consists of Cuba, Jamaica, Trinidad and Tobago, the Bahamas, the Dominican Republic, Barbados, Aruba, Haiti, the Netherlands Antilles, the Commonwealth of

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Puerto Rico, Mexico, Honduras, Guatemala, Belize, Costa Rica, Panama, Colombia and Venezuela. The fund invests at least 80% of its total assets in a broad range of securities of issuers including U.S.-based companies, which engage in substantial trade with and derive substantial revenue from operations in the Caribbean Basin Countries.

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LETTER TO STOCKHOLDERS

August 12, 2003

Dear Fellow Stockholders:

We are pleased to present our annual report for the period ended June 30, 2003. On that date The Herzfeld Caribbean Basin Fund's net assets were \$6,626,004 and its net asset value per share was \$3.95 after payment of a distribution of \$0.07746 per share, compared with \$6,568,076, or \$3.92 per share, at the beginning of the period. This represents a gain of 3.19% in net asset value after adjustment for the distribution and an increase of 2.70% in share price (after adjustment for the distribution) from \$3.48 to \$3.49 per share.

Calendar year 2003 is going quite well. Year-to-date (through August 12, 2003) our net asset value is up 26.90% (unaudited) while our share price has gained 17.17% (unaudited). Our net asset value was favorably impacted by the strong recovery in the share prices of cruise line stocks; CARNIVAL CORP. (CCL) and ROYAL CARIBBEAN CRUISES LTD. (RCL) are among our ten largest holdings and represented 4.96% and 4.89% of net assets as of June 30, 2003, respectively. Most of our other major holdings are also showing good performance so far in 2003. For example, FLORIDA EAST COAST INDUSTRIES (FLA) remains by far our largest position representing 22.05% of our net assets at fiscal yearend. Year-to-date FLA is up 29.57%, hitting a new yearly high as of the date of this letter at \$30.22.

Since our fiscal year end, we have added one new company to the portfolio, GARMIN LTD. (GRMN), a Cayman Islands-incorporated company which manufactures, markets and distributes Global Positioning Systems (GPS).

We added to our position in MARGO CARIBE, INC. (MRGO), a Puerto Rico-based distributor of lawn and garden products. Shares of MRGO are up 129.71% year-to-date.

[PHOTO]
Thomas J. Herzfeld
Chairman and President

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LETTER TO STOCKHOLDERS (CONTINUED)

LARGEST ALLOCATIONS

The following tables present our largest investment and geographic allocations as of June 30, 2003.

| GEOGRAPHIC ALLOCATION | % OF NET ASSETS |
|-----------------------|-----------------|
|-----------------------|-----------------|

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| | |
|-------------------------|--------|
| USA | 49.67% |
| Mexico | 15.55% |
| Cayman Islands | 10.07% |
| Puerto Rico | 4.26% |
| Netherlands Antilles | 3.95% |
| Latin American Regional | 3.89% |
| Belize | 2.09% |
| Panama | 1.82% |
| Virgin Islands | 1.48% |
| Costa Rica | 0.79% |
| Dominican Republic | 0.62% |
| Colombia | 0.60% |
| Venezuela | 0.15% |
| Cuba | 0.00% |

| LARGEST PORTFOLIO POSITIONS | % OF NET ASSETS |
|------------------------------------|-----------------|
| Florida East Coast Industries Inc. | 22.06% |
| Consolidated Water Co. | 7.59% |
| Florida Rock Industries | 6.54% |
| Carnival Corp. | 4.96% |
| Royal Caribbean Cruises Ltd. | 4.89% |
| Margo Caribe Inc. | 4.26% |
| Watsco Incorporated | 4.21% |
| Orthofix International N.V | 3.95% |
| Coca Cola Femsa | 3.70% |
| Latin American Equity Fund | 2.63% |

PREMIUM/DISCOUNT

As the graph below depicts, the Fund has traded at both premiums and discounts every year except the year of inception in which it traded only at a premium. As I have stated before, we believe that closed-end funds trading at discounts to net asset value represent good value.

[GRAPHIC OMITTED]

PREMIUM/DISCOUNT OF THE HERZFELD CARIBBEAN BASIN FUND FROM INCEPTION

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LETTER TO STOCKHOLDERS (CONTINUED)

Daily net asset values and press releases on the Fund are available on the Internet at www.herzfeld.com.

I would like to thank the members of the Board of Directors for their hard work and guidance and also to thank my fellow stockholders for their continued support and suggestions.

Sincerely,

/s/Thomas J. Herzfeld

Thomas J. Herzfeld
Chairman of the Board and President

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SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2003

| Shares or Principal Amount | Description | Market Value |
|--------------------------------------|--|--------------|
| ----- | | |
| Common stocks - 94.94% of net assets | | |
| Banking and finance - 3.05% | | |
| 8,000 | Bancolombia S.A. | \$ 39,520 |
| 15,120 | Banco Latinoamericano de Exportaciones, S.A. | 120,507 |
| 28,300 | Grupo Financiero BBVA Bancomer, S.A. de C.V. Series O* | 23,959 |
| 3,600 | Grupo Financiero Banorte, S.A. de C.V. Series O* | 10,182 |
| 8,400 | Grupo Financiero Inbursa, S.A. de C.V. Series O* | 8,183 |
| Communications - 8.31% | | |
| 11,000 | America Movil, S.A. de C.V. Series A | 10,294 |
| 43,800 | America Movil, S.A. de C.V. Series L | 41,154 |
| 11,100 | America Telecom, S.A. de C.V. Series A1 | 10,430 |
| 4,400 | Atlantic Tele-Network, Inc. | 98,076 |
| 72,000 | AT&T Latin America Corp.* | 9,360 |
| 11,100 | Carso Global Telecom, S.A. de C.V., Series A1* | 14,134 |
| 14,500 | Grupo Iusacell, S.A. de C.V. Series V* | 449 |
| 19,000 | Grupo Radio Centro, S.A. ADR | 102,980 |
| 3,400 | Grupo Televisa S.A. GDR* | 117,300 |
| 12,100 | Grupo Televisa, S.A. Series CPO* | 20,940 |
| 11,000 | Telefonos de Mexico, S.A. de C.V. Series A | 17,381 |
| 39,300 | Telefonos de Mexico, S.A. de C.V. Series L | 61,870 |
| 21,000 | Tricom, S.A. ADR* | 40,950 |
| 13,900 | TV Azteca, S.A. de C.V. Series CPO* | 5,598 |
| Conglomerates - 2.96% | | |
| 4,900 | Alfa, S.A. de C.V. Series A* | 9,842 |
| 42,024 | Carlisle Holdings, Inc.* | 138,679 |
| 3,100 | Corporacion Interamericana de Entretenimiento, S.A. de C.V. - Series B* | 5,504 |
| 4,200 | Desc, S.A. de C.V. Series B | 1,611 |
| 3,300 | Grupo Carso, S.A. de C.V. Series A1* | 9,998 |
| 3,300 | U.S. Commercial Corp., S.A. de C.V.* | 1,361 |
| 2,600 | Vitro, S.A. Series A | 1,807 |
| 13,000 | Vitro Sociedad Anonima ADR | 27,170 |

*Non-income producing

See accompanying notes.

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SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2003 (CONTINUED)

| Shares or Principal Amount | Description | Market Value |
|----------------------------------|--|--------------|
| ----- | | |
| Construction and related - 9.13% | | |
| 10,000 | Cemex, S.A. de C.V. Series CPO | \$ 44,679 |
| 1,936 | Ceramica Carabobo Class A ADR* | 2,762 |
| 4,000 | Consortio ARA, S.A. de C.V. Series A1* | 7,958 |

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| | | |
|---|---|-----------|
| 5,200 | Empresas ICA, Sociedad Controladora, S.A. de C.V.* | 1,172 |
| 10,500 | Florida Rock Industries, Inc. | 433,440 |
| 19,950 | Mastec, Inc.* | 114,912 |
| Consumer products and related manufacturing - 9.82% | | |
| 800,000 | Atlas Electricas, S.A. | 52,080 |
| 11,400 | Coca Cola Femsa, S.A. de C.V. ADR | 245,100 |
| 6,400 | Grupo Casa Saba, S.A. ADR* | 74,560 |
| 16,850 | Watsco Incorporated | 279,036 |
| Food, beverages and tobacco - 0.80% | | |
| 5,800 | Fomento Economico Mexicano, S.A. de C.V. Series UBD | 23,912 |
| 7,300 | Grupo Bimbo, S.A. de C.V. Series A | 12,248 |
| 7,300 | Grupo Modelo, S.A. de C.V. Series C | 16,658 |
| Investment companies - 3.75% | | |
| 15,245 | The Latin America Equity Fund, Inc. | 174,555 |
| 7,900 | The Latin American Discovery Fund, Inc. | 74,102 |
| Leisure - 9.85% | | |
| 10,100 | Carnival Corp. | 328,351 |
| 14,000 | Royal Caribbean Cruises Ltd. | 324,240 |
| Medical - 3.95% | | |
| 8,000 | Orthofix International N.V.* | 261,920 |
| Pulp and paper - 0.23% | | |
| 5,700 | Kimberly-Clark de Mexico, S.A. de C.V. Series A | 15,302 |
| Railroad and landholdings - 22.06% | | |
| 57,200 | Florida East Coast Industries, Inc. | 1,461,460 |

*Non-income producing

See accompanying notes.

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SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2003 (CONTINUED)

| Shares or Principal Amount | Description | Market Value |
|-------------------------------------|--|--------------|
| Retail - 0.98% | | |
| 3,700 | Controladora Comercial Mexicana, S.A. de C.V. Series UBC | \$ 2,480 |
| 1,380 | Grupo Elektra, S.A. de C.V. Series CPO | 4,233 |
| 7,900 | Wal-Mart de Mexico, S.A. de C.V. Series C | 21,284 |
| 12,500 | Wal-Mart de Mexico, S.A. de C.V. Series V | 36,924 |
| Trucking and marine freight - 5.13% | | |
| 800 | Seaboard Corporation | 165,600 |
| 46,600 | Trailer Bridge, Inc.* | 152,382 |
| 10,000 | Grupo TMM, S.A. ADR* | 22,000 |
| Utilities - 10.07% | | |
| 12,000 | Caribbean Utilities Ltd., Class A | 164,400 |
| 32,600 | Consolidated Water, Inc. | 502,692 |
| Other - 4.85% | | |

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| | | |
|---|--|--------------|
| 2,414 | Mantex S.A.I.C.A* | 6,526 |
| 39,120 | Margo Caribe Inc.* | 282,055 |
| 843 | Siderurgica Venezolana Sivensa ADR* | 553 |
| 75 | Siderurgica Venezolana Sivensa Series B | 49 |
| 20,000 | Xcelera, Inc.* | 31,800 |
| TOTAL COMMON STOCKS (COST \$6,214,195) | | \$ 6,290,664 |
| Bonds - 0% of net assets | | |
| 165,000 | Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038) (note 2)* | -- |
| OTHER ASSETS LESS LIABILITIES - 5.06% OF NET ASSETS | | \$ 335,340 |
| NET ASSETS - 100% | | \$ 6,626,004 |

*Non-income producing

See accompanying notes.

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STATEMENT OF ASSETS AND LIABILITIES AS OF JUNE 30, 2003

ASSETS

| | |
|--|--------------|
| Investment in securities, at market value (cost \$6,277,233) (Note 2) | \$ 6,290,664 |
| Cash | 341,984 |
| Dividends receivable | 8,493 |
| Other assets | 40,749 |
| TOTAL ASSETS | \$ 6,681,890 |

LIABILITIES

| | |
|---|-----------|
| Accrued investment advisor fee (Note 3) | \$ 22,799 |
| Other payables | 33,087 |
| TOTAL LIABILITIES | 55,886 |

| | |
|--|--------------|
| NET ASSETS (Equivalent to \$3.95 per share based on 1,677,636 shares outstanding) | \$ 6,626,004 |
|--|--------------|

NET ASSETS CONSIST OF THE FOLLOWING:

| | |
|--|-------------|
| Common stock, \$.001 par value; 100,000,000 shares authorized; 1,677,636 shares issued and outstanding | \$ 1,678 |
| Additional paid-in capital | 8,362,502 |
| Accumulated net investment loss | (1,129,902) |
| Accumulated net realized loss on investments | (621,705) |
| Net unrealized gain on investments | 13,431 |

| | |
|-------|--------------|
| TOTAL | \$ 6,626,004 |
|-------|--------------|

See accompanying notes.

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STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003

| | | |
|--|-----------|--------------|
| INVESTMENT INCOME | | |
| Dividends | | \$ 77,124 |
| EXPENSES | | |
| Investment advisor fee (Note 3) | \$ 84,837 | |
| Custodian fees | 54,000 | |
| Professional fees | 34,450 | |
| Insurance | 25,631 | |
| Transfer agent fees | 17,986 | |
| Listing fees | 15,000 | |
| Printing | 8,162 | |
| Director fees | 7,800 | |
| Postage | 5,870 | |
| Miscellaneous | 9,402 | |
| Total expenses | 263,138 | |
| INVESTMENT LOSS - NET | | (\$ 186,014) |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY | | |
| Net realized loss on investments and foreign currency | (964,095) | |
| Change in unrealized gain on investments and foreign currency | 1,337,987 | |
| NET GAIN ON INVESTMENTS | | 373,892 |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | | \$ 187,878 |

See accompanying notes.

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STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND 2002

| | 2003 | 2002 |
|---|--------------|--------------|
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS: | | |
| Investment loss - net | (\$ 186,014) | (\$ 176,134) |
| Net realized gain (loss) on investments and foreign currency | (964,095) | 129,946 |
| Change in unrealized gain (loss) on investments and foreign currency | 1,337,987 | (1,768,169) |
| Net increase (decrease) in net assets from operations | 187,878 | (1,814,357) |
| DISTRIBUTIONS TO SHAREHOLDERS FROM: | | |
| Investment income and short-term realized gains | -- | (170,448) |
| Realized gains - long-term | (129,950) | (89,753) |
| Total distributions | (129,950) | (260,201) |

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TOTAL INCREASE (DECREASE) IN NET ASSETS \$ 57,928 (\$2,074,558)

NET ASSETS:

| | | |
|-------------------|--------------|--------------|
| Beginning of year | \$ 6,568,076 | \$ 8,642,634 |
| End of year | \$ 6,626,004 | \$ 6,568,076 |

See accompanying notes.

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FINANCIAL HIGHLIGHTS
YEARS ENDED JUNE 30, 1999 THROUGH 2003

| | 2003 | 2002 | 2001 |
|---|----------|----------|----------|
| PER SHARE OPERATING PERFORMANCE | | | |
| Net asset value, beginning of period | \$ 3.92 | \$ 5.15 | \$ 5.02 |
| Operations: | | | |
| Net investment loss | (0.11) | (0.10) | (0.07) |
| Net realized and unrealized gain (loss) on investments | (0.22) | (0.98) | 0.20 |
| Total from (to) operations | (0.11) | (1.08) | 0.13 |
| Distributions: | | | |
| From investment income net | -- | (0.10) | -- |
| From net realized gains | (0.08) | (0.05) | -- |
| Total distributions | (0.08) | (0.15) | -- |
| Net asset value, end of period | \$ 3.95 | \$ 3.92 | \$ 5.15 |
| Per share market value, end of period | \$ 3.49 | \$ 3.48 | \$ 4.20 |
| Total investment return (loss) based on market value per share | 2.70% | (13.45%) | (17.04%) |
| RATIOS AND SUPPLEMENTAL DATA | | | |
| Net assets, end of period (in 000's) | \$ 6,626 | \$ 6,568 | \$ 8,643 |
| Ratio of expenses to average net assets | 4.46% | 3.77% | 3.11% |
| Ratio of investment loss - net to average net assets | (3.15%) | (2.45%) | (1.33%) |
| Portfolio turnover rate | 3% | 18% | 27% |

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND RELATED MATTERS

The Herzfeld Caribbean Basin Fund, Inc. (the Fund) is a non-diversified, closed-end management investment company incorporated under the laws of the State of Maryland on March 10, 1992, and registered under the Investment Company Act of 1940. The Fund commenced investing activities in January, 1994. The Fund is listed on the NASDAQ SmallCap Market and trades under the symbol "CUBA".

The Fund's investment policy is to invest at least 80% of its assets in investments that are economically tied to Caribbean Basin Countries. The Fund's investment objective is to obtain long-term capital appreciation. The Fund pursues its objective by investing primarily in equity and equity-linked securities of public and private companies, including U.S.- based companies, (i) whose securities are traded principally on a stock exchange in a Caribbean Basin Country or (ii) that have at least 50% of the value of their assets in a Caribbean Basin Country or (iii) that derive at least 50% of their total revenue from operations in a Caribbean Basin Country. The Fund's investment objective is fundamental and may not be changed without the approval of a majority of the Fund's outstanding voting securities.

At June 30, 2003, the Fund had investments in companies operating principally in Mexico, and the Cayman Islands, representing approximately 16% and 10% of the Fund's net assets, respectively.

The Fund's custodian and transfer agent is Investors Bank & Trust Company, based in Boston, Massachusetts.

SECURITY VALUATION

Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Short-term notes are stated at amortized cost, which is equivalent to value. Restricted securities and other securities for which quotations are not readily available are valued at fair value as determined by the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

INCOME RECOGNITION

Security transactions are recorded on the trade date. Gains and losses on securities sold are determined on the basis of identified cost. Dividend income is recognized on the exdividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over

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the life of the respective securities.

DEPOSITS WITH FINANCIAL INSTITUTIONS

The Fund may, during the course of its operations, maintain account balances with financial institutions in excess of federally insured limits.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

INCOME TAXES

The Fund qualifies as a "regulated investment company" and as such (and by complying with the applicable provisions of the Internal Revenue Code of 1986, as amended) is not subject to federal income tax on taxable income (including realized capital gains) that is distributed to shareholders.

The Fund has adopted a June 30 year-end for federal income tax purposes.

DISTRIBUTIONS TO STOCKHOLDERS

Distributions to stockholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America.

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NOTES TO FINANCIAL STATEMENTS

NOTE 2. NON-MARKETABLE SECURITY OWNED

Investment in securities include \$165,000 principal, 4.5%, 1977 Republic of Cuba bonds purchased for \$63,038. The bonds are listed on the New York Stock Exchange and had been trading in default since 1960. A "regulatory halt" on trading was imposed by the New York Stock Exchange in July, 1995. As of June 30, 2003, the position was valued at \$0 by the Board of Directors, which approximates the bonds' fair value.

NOTE 3. TRANSACTIONS WITH AFFILIATES

HERZFELD / CUBA (the Advisor), a division of Thomas J. Herzfeld Advisors, Inc., is the Fund's investment advisor and charges a monthly fee at the annual rate of 1.45% of the Fund's average daily net assets. Total fees for the year ended June 30, 2003 amounted to \$84,837.

During the year ended June 30, 2003, the Fund paid \$1,380 of brokerage commissions to Thomas J. Herzfeld & Co., Inc., an affiliate of the Advisor.

NOTE 4. INVESTMENT TRANSACTIONS

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During the fiscal year ended June 30, 2003, purchases and sales of investment securities were \$191,006 and \$888,776, respectively.

At June 30, 2003, the Fund's investment portfolio had gross unrealized gains of \$1,551,526 and gross unrealized losses of \$1,538,095, resulting in a net unrealized gain of \$13,431.

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DIRECTORS AND OFFICERS OF THE FUND

| NAME ADDRESS AGE | POSITION(S) HELD WITH FUND | TERM OF OFFICE AND LENTH OF TIME SERVED |
|------------------------|----------------------------------|--|
|------------------------|----------------------------------|--|

Officers

| | | |
|---|--------------------------------------|---------------------------------|
| THOMAS J. HERZFELD PO Box 161465 Miami, FL 33116 Age: 58 | President, Chairman, Director | three years; 1993 to present |
| CECILIA L. GONDOR PO Box 161465 Maimi, FL 33116 Age: 41 | Secretary, Treasurer, Director | three years; 1993 to present |

Independent Directors

| | | |
|--|----------|---------------------------------|
| ANN S. LIEFF c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 52 | Director | three years; 1998 to present |
| MICHAEL A. RUBIN c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 61 | Director | three years; 2002 to present |
| ALBERT L. WEINTRAUB c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 74 | Director | three years; 1999 to present |

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| PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF PORTFOLIOS IN COMPLEX OVERSEEN BY DIRECTOR | PUBLIC DIRECTORSHIPS |
|--|--|-------------------------|
|--|--|-------------------------|

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| | | |
|--|---|---|
| Chairman and President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc. | 2 | The Cuba Fund, Inc. (in registration) |
| Executive Vice President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc. | 2 | The Cuba Fund, Inc. (in registration) |
| President of the Loeff Company, a management consulting firm that offers business solutions, strategies and CEO mentoring to corporations and women/family owned businesses, 1998-present; former CEO Spec's Music 1980-1998, a retailer of recorded music. | 1 | Hastings Entertainment, Inc.; Claire's Stores, Inc.; Mayors Jewelers, Inc. |
| Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management & Real Estate Corp., a real estate corporation | 1 | Margo Caribe, Inc. |
| Senior Partner of Weintraub, Weintraub; of counsel Orshan et al, attorneys; Chairman of E-Lysium Transaction Systems, Inc., an application service provider of transaction processing, billing and payment systems | 1 | None |

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INDEPENDENT AUDITOR'S REPORT

KAUFMAN
ROSSIN &
CO.

PROFESSIONAL

ASSOCIATION

Certified Public Accountants

To the Board of Directors and Stockholders
The Herzfeld Caribbean Basin Fund, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Herzfeld Caribbean Basin Fund, Inc. as of June 30, 2003, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and 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 and financial highlights. Our procedures include confirmation of securities owned as of June 30, 2003, by correspondence with the custodian and brokers. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Herzfeld Caribbean Basin Fund, Inc. as of June 30, 2003, and the results of its operations for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Kaufman, Rossin & Co.

Kaufman, Rossin & Co.
Miami, Florida
July 18, 2003

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PRIVACY POLICY -----

INFORMATION WE COLLECT

We collect nonpublic information about you from applications or other account forms you complete, from your transactions with us, our affiliates or others through transactions and conversations over the telephone.

INFORMATION WE DISCLOSE

We do not disclose information about you, or our former customers, to our affiliates or to service providers or other third parties except on the limited basis permitted by law. For example, we may disclose nonpublic information about you to third parties to assist us in servicing your account with us and to send transaction confirmations, annual reports, prospectuses and tax forms to you. We may also disclose nonpublic information about you to government entities in response to subpoenas.

OUR SECURITY PROCEDURES

To ensure the highest level of confidentiality and security, we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information. We also restrict access to your personal and account information to those employees who need to know that information to provide services to you.

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THE HERZFELD CARIBBEAN BASIN FUND, INC.
The Herzfeld Building

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P. O. Box 161465
Miami, FL 33116

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Item 2. Code of Ethics

A response to this item is not yet required.

Item 3. Audit Committee Financial Expert

A response to this item is not yet required.

Item 4. Principal Accountant Fees and Services

A response to this item is not yet required.

Item 5. Audit Committee of Listed Registrants

A response to this item is not yet required.

Item 6. Reserved.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

It is the policy of the Board of Directors of the Fund (the "Board") to delegate the responsibility for voting proxies relating to portfolio securities held by the Fund to the Fund's investment adviser (the "Adviser") as a part of the Adviser's general management of the Fund, subject to the Board's continuing oversight.

With respect to those proxies that the Adviser has identified as involving a conflict of interest, the Adviser shall submit a separate report indicating the nature of the conflict of interest and how that conflict was resolved with respect to the voting of the proxy.

Item 8. Reserved.

Item 9. Controls and Procedures

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended), are effective, based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph.

(b) There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 10. Exhibits

(a)(1) Requirement to file an exhibit under this item 10(a) is not applicable.

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(2) Separate certifications by the registrant's principal executive officer and principal financial officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and as required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached hereto as Exhibit 99.CERT.

(b) A certification by the registrant's principal executive officer and principal financial officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and as required by Rule 30a-2(b) under the Investment Company Act of 1940 is attached hereto as Exhibit 99.906CERT.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Herzfeld Caribbean Basin Fund, Inc.

By: /s/ Thomas J. Herzfeld

Thomas J. Herzfeld
President and Chairman

Date: September 5, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Thomas J. Herzfeld

Thomas J. Herzfeld
President and Chairman

Date: August 20, 2003

By: /s/ Cecilia L. Gondor

Cecilia L. Gondor
Secretary and Treasurer
(Principal Financial Officer)

Date: September 5, 2003