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

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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  
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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  
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Date of fiscal year end: 06/30/2003  
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Date of reporting period: 06/30/2003  
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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](http://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](http://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

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\*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
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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
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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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND RELATED MATTERS

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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

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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

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INCOME RECOGNITION

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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

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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

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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

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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

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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

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#### 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.  
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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  
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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