

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

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 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.

Listed NASDAQ SmallCap Market Symbol: CUBA

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.



Thomas J. Herzfeld Chairman and President

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.

Letter to Stockholders (continued)

Largest Allocations

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

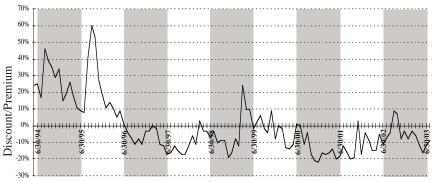
Geographic % of I	Vet Assets
USA	49.67%
Mexico	15.55%
Cayman Islands	10.07%
Puerto Rico	4.26%
Netherlands Antilles	3.95%
Latin American Regiona	al 3.89%
Belize	2.09%
Panama	1.82%
Virgin Islands	1.48%
Costa Rica	0.79%
Dominican Republic	0.62%
Colombia	0.60%
Venezuela	0.15%
Cuba	0.00%

Largest Portfolio Positions	% of Net Assets
Florida East Coast Industries In	nc. 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.

Premium/Discount of The Herzfeld Caribbean Basin Fund from Inception



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,

Thomas J. Herzfeld

Chairman of the Board and President

Schedule of Investments as of June 30, 2003

Shares or P	Principal Amount Description	<u>Ma</u>	arket Value
Common s	tocks - 94.94% of net assets		
	nd 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
Communic	ations - 8.31%		
11,000	América Móvil, S.A. de C.V. Series A		10,294
43,800	América Móvil, S.A. de C.V. Series L		41,154
11,100	América 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
Conglomer	rates - 2.96%		
4,900	Alfa, S.A. de C.V. Series A*		9,842
42,024	Carlisle Holdings, Inc.*		138,679
3,100	Corporación Interamericana de Entretenimiento, S.A. de C.V	•	5.504
4.200	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

Schedule of Investments as of June 30, 2003 (continued)

Shares or P	Principal Amount Description	Market Value		
	on 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	Consorcio ARA, S.A. de C.V. Series A1*	7,958		
5,200		1,172		
10,500	-	433,440		
19,950	Mastec, Inc.*	114,912		
Consumer	products and related manufacturing - 9.82%			
800,000	Atlas Electricas, S.A.	52,080		
		245,100		
		74,560		
16,850	Watsco Incorporated	279,036		
-,		,,,,,,,		
	rages and tobacco - 0.80%			
5,800	Fomento Económico 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		
	0.004			
Leisure - 9		220.251		
	Carnival Corp.	328,351		
14,000	Royal Caribbean Cruises Ltd.	324,240		
Medical - 3	3.95%			
8,000	Orthofix International N.V.*	261,920		
Pulp and pa	aper - 0.23%			
	Kimberly-Clark de México, S.A. de C.V. Series A	15,302		
Railroad ar	nd landholdings - 22.06%			
	Florida East Coast Industries, Inc.	1,461,460		

^{*}Non-income producing

Schedule of Investments as of June 30, 2003 (continued)

Shares or P	rincipal Amount <u>Description</u>	Market Value
Retail - 0.9	8%	
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 México, S.A. de C.V. Series C	21,284
12,500	Wal-Mart de México, S.A. de C.V. Series V	36,924
Trucking ar	nd 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 - 1	0.07%	
12,000	Caribbean Utilities Ltd., Class A	164,400
32,600	Consolidated Water, Inc.	502,692
Other - 4.85	5%	
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 comr	non 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) (no	ote 2)*
Other asse	ts less liabilities - 5.06% of net assets	\$ 335,340
Net assets	- 100%	\$ 6,626,004

* Non	-income	nroc	1101110
1 1011	mcomc	proc	ucing

Statement of Assets and Liabilities as of June 30, 2003

ASSETS	
Investment in securities, at market value (cost \$6,277,233) (Note Cash Dividends receivable Other assets	2) \$ 6,290,664 341,984 8,493 40,749
TOTAL ASSETS	\$ 6,681,890
LIABILITIES	
· · · · · · · · · · · · · · · · · · ·	2,799 3,087
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 Additional paid-in capital Accumulated net investment loss Accumulated net realized loss on investments Net unrealized gain on investments	\$ 1,678 8,362,502 (1,129,902) (621,705) 13,431
TOTAL	\$ 6,626,004

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	DEN	CITY.		
(LOSS) ON INVESTMENTS AND FOREIGN CUR	KKEN			
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

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 Net realized gain (loss) on investments and	(\$	186,014)	(\$ 176,134)
foreign currency Change in unrealized gain (loss) on investments	(964,095)	129,946
and foreign currency Net increase (decrease) in net assets from	_	1,337,987	(1,768,169)
operations		187,878	(1,814,357)
DISTRIBUTIONS TO SHAREHOLDERS FROM:			(1=0 110)
Investment income and short-term realized gains Realized gains - long-term	((170,448) (89,753)
Total distributions	(_	129,950)	(260,201)
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

Financial Highlights Years Ended June 30, 1999 through 2003

	2003	$\underline{2002}$	$\underline{2001}$	$\overline{2000}$	1999
PER SHARE OPERATING PERFORMANCE Net asset value, beginning of period	\$3.92	\$5.15	\$5.02	\$6.12	\$6.43
Net investment loss Net realized and unrealized gain (loss) on investments Total from (to) operations	(0.11) (0.22) (0.11)	$ \begin{array}{c} (0.10) \\ (0.98) \\ \hline (1.08) \end{array} $	(0.07) 0.20 0.13	(0.10) (1.10)	$ \begin{array}{c} (0.11) \\ 0.51 \\ \hline 0.40 \end{array} $
Distributions: From investment income net From net realized gains Total distributions	- (0.08) (0.08)	(0.10) (0.05) (0.15)	1 1 1	1 1 1	 (0.71) (0.71)
Net asset value, end of period	\$3.95	\$3.92	\$5.15	\$5.02	\$6.12
Per share market value, end of period	\$3.49	\$3.48	\$4.20	\$5.06	86.00
Total investment return (loss) based on market value per share	2.70%	(13.45%)	(17.04%)	(15.63%)	11.83%
RATIOS AND SUPPLEMENTAL DATA Net assets, end of period (in 000's)	\$6,626	\$6,568	\$8,643	\$8,424	\$10,272
Ratio of expenses to average net assets	4.46%	3.77%	3.11%	3.11%	3.30%
Ratio of investment loss - net to average net assets Portfolio tumover rate	(3.15%)	(2.45%)	(1.33%)	(1.76%)	(1.95%)

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 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.

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

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.

Directors and Officers of the Fund

Position(s) Held with Fund	Term of Office and Lenth of Time Served
President, Chairman, Director	three years; 1993 to present
Secretary, Treasurer, Director	three years; 1993 to present
Director	three years; 1998 to present
Director	three years; 2002 to present
Director	three years; 1999 to present
	Held with Fund President, Chairman, Director Secretary, Treasurer, Director Director

Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen By Director	Public Directorships
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 Lieff 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 1980-19 a retailer of recorded music.	1 98,	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, attornies; Chairman of E-Lysium Transaction Systems, Inc an application service provider of transaction processing, billing and payment systems	1	None



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.

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.

Miami, Florida July 18, 2003

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.

THE HERZFELD CARIBBEAN BASIN FUND, INC.

The Herzfeld Building P.O. Box 161465
Miami, FL 33116