



**THE HERZFELD
CARIBBEAN BASIN
FUND, INC.**

*ANNUAL REPORT
JUNE 30, 2005*

The Herzfeld Caribbean Basin Fund, Inc.

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Investment Advisor

HERZFELD/CUBA
a division of Thomas J. Herzfeld Advisors, Inc.
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Miami, FL 33116
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Transfer Agent & Registrar

Investors Bank & Trust Company
200 Clarendon Street, 16th Floor
Boston, MA 02116
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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 consist 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.

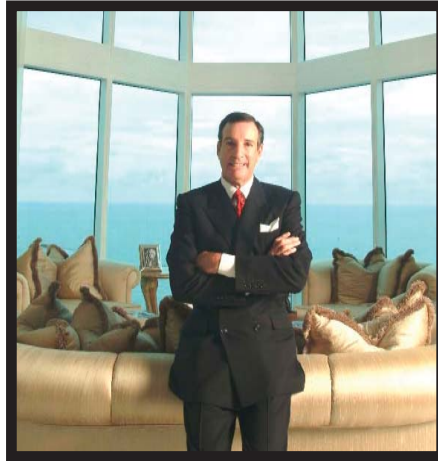
Listed NASDAQ SmallCap Market
Symbol: CUBA

Letter to Stockholders

August 3, 2005

Dear Fellow Shareholders:

We are pleased to present our annual report for the period ending June 30, 2005. At the end of the fiscal year, The Herzfeld Caribbean Basin Fund's net assets were \$12,291,956, or \$7.33 per share, compared with \$9,109,162, or \$5.43 per share, at the beginning of the period. This represents a gain of 35.0% in net asset value. The Fund's share price rose from \$4.87 per share to \$6.30 over the same 12-month period; an increase of 29.4%. In the month since the end of our fiscal year, the fund's net asset value has climbed to \$7.83 per share, a record high, and our net assets have moved above \$13 million for the first time.



*Thomas J. Herzfeld
Chairman and President*

Portfolio Commentary

When we created the Fund we believed then, and are even more convinced now, that the most compelling investment opportunities will be in Cuba. Since the U.S. embargo with that country is still in place, however, we have not changed our initial "indirect" investment strategy. That is first, to identify companies which will benefit from a resumption of trade with Cuba and second, to concentrate on companies which we believe have good prospects even if there is no U.S. policy change with Cuba. This approach has been very successful; from inception the Fund's net asset value is up 86.8% (adjusted for distributions). In the event the embargo is lifted, we will then seek to make some direct investments in Cuba, possibly as joint ventures. In that connection we have been exploring investment opportunities within the Cuban-American business community, mostly in South Florida where we are based. We have also had preliminary conversations with the officers of a number of our portfolio companies.

A look at our top ten holdings provides some examples of the current investment strategy.

Our largest position continues to be **Florida East Coast Industries (FLA)**. The company has two main businesses: Flagler Development Company and Florida East Coast Railway, which runs between Jacksonville and Miami. Last year FLA appointed a new chairman, Adolfo Henriques, a prominent Cuban-American. The company has been turning in excellent results; for the second quarter Mr. Henriques recently stated that "the railroad posted

Letter to Stockholders (continued)

double-digit percentage growth in revenues and operating profit.” The quarterly dividend was increased by 20%, an increase that he said was a reflection of his and the board’s confidence in the company’s future and financial strength.

We believe FLA is a strong candidate to run a rail-barge service between Florida and Cuba in the future. The railroad track used in Cuba is the same gauge as the U.S.; the future possibilities are, of course, obvious.

Of our ten largest holdings, five made record highs this year, including our second largest holding, **Seaboard** (SEB), which we started buying at \$262.50 per share in 1995. It is currently changing hands above \$1,700 per share. SEB’s marine division provides containerized shipping service between the United States, the Caribbean Basin and Central and South America. We believe the company is strongly positioned for the resumption of trade with Cuba.

Also among our largest holdings making new highs during the fiscal year are: **Consolidated Water** (CWCO), based in the Cayman Islands; **Florida Rock Industries** (FRK), which has plans to sell aggregates and concrete products in free Cuba, much needed materials for the reconstruction of the country; **Watsco Incorporated** (WSO), which we think would be a natural to sell air conditioning products in Cuba and which in the meantime just reported record operating results; **Garmin Ltd.** (GRMN), based in the Cayman Islands; and **Latin American Equity Fund** (LAQ). LAQ is a closed-end fund trading at a 12% discount to net asset value. The Latin American region has been benefiting from rising trade and investment; recently The Economic Council for Latin American and the Caribbean forecast a growth rate of 4.3% for 2005, which is slightly higher than the 4% forecast for the smaller Caribbean component. Interestingly, they forecast a growth rate of 5% for Cuba compared to 3% in 2004 and 2.9% in 2003.

Another company poised to take advantage of the cargo trade with Cuba is **Trailer Bridge** (TRBR). TRBR provides integrated trucking and marine freight service to and from all points in the lower 48 states and Puerto Rico. The company utilizes its own trucks, drivers, trailers, containers and U.S.-flagged vessels to link the mainland with Puerto Rico by marine facilities in Jacksonville and San Juan. The company’s ships are shallow-draft, which puts them in an excellent position to operate in many of the ports of Cuba to which deep-draft vessels have limited access. Cuba aside, the company is doing very well. Second quarter financial results just came in with a 12.8% increase in revenue and a 207% increase in operating income.

Letter to Stockholders (continued)

Largest Allocations

The following tables present our largest investment and geographic allocations as of June 30, 2005.

<i>Geographic Allocation</i>	<i>% of Net Assets</i>	<i>Largest Portfolio Positions</i>	<i>% of Net Assets</i>
USA	56.84%	Florida East Coast Industries, Inc.	17.79%
Mexico	12.08%	Seaboard Corporation	8.12%
Cayman Islands	8.80%	Consolidated Water Co.	7.67%
Latin American Regional	6.91%	Florida Rock Industries, Inc.	7.40%
Puerto Rico	3.66%	Royal Caribbean Cruises Ltd.	6.49%
Panama	3.20%	Watsco Incorporated	5.72%
Netherlands Antilles	2.86%	The Latin American Equity Fund, Inc.	4.71%
Belize	2.00%	Margo Caribe Inc.	3.53%
Global/Emerging Markets	1.17%	Banco Latinoamericano de Exportaciones	3.20%
Virgin Islands	0.96%	Garmin Ltd.	3.13%
Colombia	0.91%		
Costa Rica	0.26%		
Venezuela	0.04%		
Cuba	0.00%		

Premium/Discount

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.

Further Information

Daily net asset values, quarterly, semi-annual and annual reports and press releases for 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,



Chairman of the Board and President

Schedule of Investments as of June 30, 2005

<u>Shares or Principal Amount</u>	<u>Description</u>	<u>Market Value</u>
Common stocks - 99.70% of net assets		
Banking and finance - 4.61%		
7,000	Bancolombia, S.A.	\$ 111,930
21,920	Banco Latinoamericano de Exportaciones, S.A.	393,464
1,000	Doral Financial Corp.	16,540
3,800	Grupo Financiero Banorte, S.A. de C.V. Series O	25,036
9,000	Grupo Financiero Inbursa, S.A. de C.V. Series O	19,458
Communications - 10.50%		
11,400	América Móvil, S.A. de C.V. Series A	33,961
44,600	América Móvil, S.A. de C.V. Series L	132,853
11,700	América Telecom, S.A. de C.V. Series A1*	37,338
4,100	Atlantic Tele-Network, Inc.	118,080
11,600	Carso Global Telecom, S.A. de C.V. Series A1*	21,367
9,000	Garmin Ltd.	384,750
725	Grupo Iusacell, S.A. de C.V. Series V*	1,884
16,800	Grupo Radio Centro, S.A. ADR	121,464
4,500	Grupo Televisa, S.A. GDR	279,405
12,500	Grupo Televisa, S.A. Series CPO	38,684
1,000	Telefonos de Mexico ADR Series L	18,890
22,800	Telefonos de Mexico, S.A. de C.V. Series A	21,156
78,600	Telefonos de Mexico, S.A. de C.V. Series L	74,253
13,900	TV Azteca, S.A. de C.V. Series CPO	6,707
Conglomerates - 2.61%		
5,100	Alfa, S.A. de C.V. Series A	28,932
39,400	Carlisle Holdings, Inc.	246,250
3,200	Corporación Interamericana de Entretenimiento, S.A. de C.V. Series B*	6,355
7,500	Desc, S.A. de C.V. Series B*	2,081
10,200	Grupo Carso, S.A. de C.V. Series A1	19,687
300	Grupo Imsa, S.A. de C.V., Series UBC	686
3,300	U.S. Commercial Corp., S.A. de C.V.*	1,087
2,900	Vitro, S.A. Series A	2,099
6,000	Vitro Sociedad Anonima ADR	13,260

*Non-income producing

See accompanying notes.

Schedule of Investments as of June 30, 2005 (continued)

Shares or Principal Amount	Description	Market Value
Construction and related - 9.99%		
22,116	Cemex, S.A. de C.V. Series CPO	\$ 93,789
1,936	Ceramica Carabobo Class A ADR*	3,014
4,100	Consorcio ARA, S.A. de C.V.*	14,153
17,400	Empresas ICA, Sociedad Controladora, S.A. de C.V.*	7,056
12,400	Florida Rock Industries, Inc.	909,540
300	Grupo Cementos de Chihuahua, S.A. de C.V.	591
1,665	Hylsamex S.A. CPO	6,044
21,950	Mastec, Inc.*	193,160
Consumer products and related manufacturing - 6.60%		
800,000	Atlas Electricas, S.A.	32,216
4,900	Grupo Casa Saba, S.A. ADR	76,195
16,500	Watsco Incorporated	702,900
Food, beverages and tobacco - 1.70%		
4,800	Coca Cola Femsa, S.A. de C.V. ADR	128,208
100	Coca Cola Femsa, S.A. de C.V., Series L	265
6,000	Fomento Económico Mexicano, S.A. de C.V. Series UBD	35,750
300	Gruma, S.A. de C.V., Series B	700
7,400	Grupo Bimbo, S.A. de C.V. Series A	21,253
7,500	Grupo Modelo, S.A. de C.V. Series C	23,385
Housing - (0.02%)		
700	Corporación Geo S.A. de C.V., Series B	1,766
100	Desarrolladora Homex, S.A. de C.V.	455
Investment companies - 9.21%		
13,529	Latin American Discovery Fund, Inc.	270,580
24,745	Latin America Equity Fund, Inc.	579,032
5,799	The Mexico Fund, Inc.	139,234
5,000	Salomon Brothers Emerging Markets Debt Fund	90,750
4,025	Salomon Brothers Global High Income Fund	53,050
Leisure - 8.93%		
5,500	Carnival Corp.	300,025
16,500	Royal Caribbean Cruises Ltd.	797,940
Medical - 3.21%		
15,159	CancerVax Corp.	43,203
8,160	Orthofix International N.V.*	351,207

*Non-income producing *See accompanying notes.*

Schedule of Investments as of June 30, 2005 (continued)

Shares or Principal Amount	Description	Market Value
Mining - (0.01%)		
600	Grupo México, S.A. de C.V., Series B*	\$ 977
Pulp and paper - 0.16%		
5,900	Kimberly-Clark de México, S.A. de C.V. Series A	20,197
Railroad and landholdings - 17.79%		
50,500	Florida East Coast Industries, Inc.	2,186,650
Retail - 0.83%		
3,700	Controladora Comercial Mexicana, S.A. de C.V. Series UBC	4,464
1,380	Grupo Elektra, S.A. de C.V. Series CPO	10,245
21,506	Wal-Mart de México, S.A. de C.V. Series V	87,290
Service - (0.01%)		
300	Grupo Aeroportuario del Sureste, S.A. de C.V., Series B	947
Trucking and marine freight - 11.05%		
14,800	Grupo TMM, S.A. ADR*	44,400
600	Seaboard Corporation	998,400
41,799	Trailer Bridge, Inc.*	315,582
Utilities - 8.80%		
12,000	Caribbean Utilities Ltd. Class A	139,920
24,300	Consolidated Water, Inc.	942,354
Other - 3.67%		
42,337	Margo Caribe, Inc.*	433,528
843	Siderurgica Venezolana Sivensa ADR	1,408
75	Siderurgica Venezolana Sivensa Series B	125
45,000	Xcelera, Inc.*	15,750
Total common stocks (cost \$7,300,491)		\$12,255,355
Bonds - 0% of net assets		
165,000	Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038) (Note 2)*	--
Other assets less liabilities - 0.30% of net assets		\$ 36,601
Net assets - 100%		<u>\$12,291,956</u>

*Non-income producing

See accompanying notes.

Schedule of Investments as of June 30, 2005 (continued)

The above investments are concentrated in the following geographic regions (as percentages of net assets):

United States of America	56.84%
Mexico	12.08%
Cayman Islands	8.80%
Latin American Region	6.91%
Other, individually under 5%	<u>15.37%</u>
	100.00%

Statement of Assets and Liabilities as of June 30, 2005

ASSETS

Investments in securities, at market value (cost \$7,363,529) (Notes 2 and 5)	\$ 12,255,355
Cash	139,801
Dividends receivable	21,342
Other assets	<u>41,999</u>
TOTAL ASSETS	12,458,497

LIABILITIES

Payable for securities purchased	\$ 90,300
Accrued investment advisor fee (Note 3)	42,122
Other payables	<u>34,119</u>
TOTAL LIABILITIES	<u>166,541</u>

NET ASSETS (Equivalent to \$7.33 per share
based on 1,677,636 shares outstanding) **\$ 12,291,956**

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 (Note 5)	(1,400,781)
Accumulated net realized gain on investments (Note 5)	436,731
Net unrealized gain on investments (Notes 4 and 5)	<u>4,891,826</u>
TOTAL	<u>\$ 12,291,956</u>

See accompanying notes.

Statement of Operations
Year Ended June 30, 2005

INVESTMENT INCOME

Dividends		\$ 221,028
Interest		<u>101</u>
Total investment income		221,129

EXPENSES

Investment advisor fees (Note 3)	\$ 153,114	
Professional fees	68,838	
Custodian fees	54,000	
Insurance	27,624	
Transfer agent fees	17,500	
Listing fees	16,250	
Miscellaneous	12,933	
Salaries	9,689	
Director fees	7,800	
Printing	6,675	
Postage	<u>2,500</u>	
Total investment expenses		<u>376,923</u>

INVESTMENT LOSS - NET (155,794)

**REALIZED AND UNREALIZED GAIN
ON INVESTMENTS AND FOREIGN CURRENCY**

Net realized gain on investments and foreign currency	700,005	
Change in unrealized gain on investments and foreign currency	<u>2,638,583</u>	

NET GAIN ON INVESTMENTS 3,338,588

**NET INCREASE IN NET ASSETS RESULTING
FROM OPERATIONS**

\$ 3,182,794

See accompanying notes.

Statements of Changes in Net Assets
Years Ended June 30, 2005 and 2004

	2005	2004
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS:		
Net investment loss	(\$ 155,794)	(\$ 115,085)
Net realized gain on investments and foreign currency	700,005	358,431
Change in unrealized gain on investments and foreign currency	<u>2,638,583</u>	<u>2,239,812</u>
NET INCREASE IN NET ASSETS resulting from operations	3,182,794	2,483,158
NET ASSETS:		
Beginning of year	<u>9,109,162</u>	<u>6,626,004</u>
End of year	<u>\$ 12,291,956</u>	<u>\$ 9,109,162</u>

See accompanying notes.

Financial Highlights
Years Ended June 30, 2001 through 2005

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
PER SHARE OPERATING PERFORMANCE					
(For a share of capital stock outstanding for the year)					
Net asset value, beginning of year	\$3.95	\$3.95	\$3.92	\$5.15	\$5.02
Operations:					
Net investment loss ¹	(0.07)	(0.07)	(0.11)	(0.10)	(0.07)
Net realized and unrealized gain (loss) on investment transactions ¹	1.55	1.55	0.22	(0.98)	0.20
Total from operations	1.48	1.48	0.11	(1.08)	0.13
Distributions:					
From net investment income	--	--	--	(0.10)	--
From net realized gains	--	--	(0.08)	(0.05)	--
Total distributions	--	--	(0.08)	(0.15)	--
Net asset value, end of year	\$7.33	\$5.43	\$3.95	\$3.92	\$5.15
Per share market value, end of year	\$6.30	\$4.87	\$3.49	\$3.48	\$4.20
Total investment return (loss) based on market value per share	29.36%	39.54%	2.70%	(13.45%)	(17.04%)
RATIOS AND SUPPLEMENTAL DATA					
Net assets, end of year (in 000's)	\$12.292	\$9.109	\$6.626	\$6.568	\$8.643
Ratio of expenses to average net assets	3.55%	3.67%	4.46%	3.77%	3.11%
Ratio of net investment loss to average net assets	(1.47%)	(1.39%)	(3.15%)	(2.45%)	(1.33%)
Portfolio turnover rate	30%	23%	3%	18%	27%

¹Computed by dividing the respective year's amounts from the Statement of Operations by the average outstanding shares for each year presented.

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, 2005, the Fund had foreign investments in companies operating principally in Mexico and the Cayman Islands representing approximately 12% and 9% 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 or SmallCap market) are stated at the last reported sales price on the day of valuation (or at the NASDAQ official closing price); 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. 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 ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on debt securities purchased are amortized over the life of the respective securities. It is the Fund's practice to include the portion of realized and unrealized gains and losses on investments denominated in foreign currencies as components of realized and unrealized gains and losses on investments and foreign currency.

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's policy is to continue to comply with the provisions of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its stockholders. Under these provisions, the Fund is not subject to federal income tax on its taxable income and no federal tax provision is required.

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. For the year ended June 30, 2005, no distributions were declared or paid to stockholders.

Notes to Financial Statements

NOTE 2. NON-MARKETABLE SECURITY OWNED

Investments 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, 2005, 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, 2005 amounted to \$153,114 of which \$42,122 is payable at year end.

During the year ended June 30, 2005, the Fund paid \$12,672 of brokerage commissions to Thomas J. Herzfeld & Co., Inc., an affiliate of the Advisor.

NOTE 4. INVESTMENT TRANSACTIONS

During the year ended June 30, 2005, purchases and sales of investment securities were \$3,152,244 and \$3,330,335, respectively.

At June 30, 2005, the Fund’s investment portfolio had gross unrealized gains of \$5,511,849 and gross unrealized losses of \$620,023, resulting in a net unrealized gain of \$4,891,826 for both financial statement and income tax purposes.

NOTE 5. INCOME TAX INFORMATION

The cost basis of securities owned for financial statement purposes is lower than the cost basis for income tax purposes by approximately \$55,000 due to wash sale adjustments.

The income tax basis of distributive earnings as of June 30, 2005 include \$1,400,781 of accumulated net investment loss, \$436,731 of accumulated net realized loss on investments and \$4,891,826 of net unrealized gain on investments.

For the year ended June 30, 2005, the Fund utilized all of its capital loss carryover of \$605,665 remaining from the prior year.

Directors and Officers of the Fund

Name Address Age	Position(s) Held with Fund	Term of Office and Lenth of Time Served
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Officers

Thomas J. Herzfeld PO Box 161465 Miami, FL 33116 Age: 60	President, Chairman, Director	three years; 1993 to present
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Cecilia L. Gondor PO Box 161465 Miami, FL 33116 Age: 43	Secretary, Treasurer, Director	three years; 1993 to present
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Independent Directors

Ann S. Lieff c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 53	Director	three years; 1998 to present
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Michael A. Rubin c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 63	Director	three years; 2002 to present
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Albert L. Weintraub c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 76	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
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 ongoing advisory services as a corporate director to several leading regional and national retail operations, 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

Report of Independent Registered Public Accounting Firm



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, 2005, and the related statement of operations for the year then ended, the statements 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 the standards of the Public Company Accounting Oversight Board (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, 2005, 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 audits provide 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, 2005, 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.

A handwritten signature in cursive script that reads "Kaufman, Rossini & Co.".

Miami, Florida
July 14, 2005

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.

Proxy Voting Policies and Procedures

A description of the policies and procedures used to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling the Fund at 800-TJH-FUND, or by accessing the SEC's website at www.sec.gov.

Information on how the investment adviser voted proxies on the Fund's behalf for the twelve month period ended June 30 is provided in the Fund's Form N-PX which is available on the SEC's EDGAR database at www.sec.gov. In addition, the Form N-PX can be reviewed and copied at the SEC's public reference room in Washington, D.C. More information about the SEC's website or the operation of the public reference room can be obtained by calling the SEC at 800-732-0330.

Quarterly Portfolio Reports

The Fund files quarterly schedules of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Form N-Q is available by link on the Fund's website at www.herzfeld.com, by calling the Fund at 800-TJH-FUND, or on the SEC's EDGAR database at www.sec.gov. In addition, the Form N-Q can be reviewed and copied at the SEC's public reference room in Washington, D.C. More information about the SEC's website or the operation of the public reference room can be obtained by calling the SEC at 800-732-0330.

THE HERZFELD CARIBBEAN BASIN FUND, INC.

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