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STONEPATH GROUP INC
Form 11-K
July 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-16105

A. Full title of the plan and the address of the plan, if different from that of
the issuer named below: STONEPATH GROUP, INC. 401(K) PROFIT SHARING PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of
its principal executive office:

STONEPATH GROUP, INC.
1600 MARKET STREET, SUITE 1515
PHILADELPHIA, PA 19103

STONEPATH GROUP, INC. 401(K) PLAN

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE

Year Ended December 31, 2003

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrative Committee of the
Stonepath Group, Inc. 401(k) Plan

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We have audited the accompanying statement of net assets available for benefits of the Stonepath Group, Inc. 401(k) Plan (the "Plan") as of December 31, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003, and the changes in net assets available for benefits for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan for the year ended December 31, 2003, taken as a whole. The accompanying supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plymouth Meeting, Pennsylvania
July 9, 2004

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STONEPATH GROUP, INC. 401(K) PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2003

ASSETS

Investments	\$ 8,418,128
Participants' loans receivable	246,561

	8,664,689

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Receivables:	
Employer contributions	35,367
Participants' contributions	22,027
Other contributions	1,987

	59,381

TOTAL ASSETS	8,724,070
LIABILITIES	

Accrued expenses	12,024

NET ASSETS AVAILABLE FOR BENEFITS	\$ 8,712,046
	=====

See Notes to Financial Statements.

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STONEPATH GROUP, INC. 401(K) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2003

ADDITIONS:

Additions to net assets attributed to:

Net appreciation in fair value of investments	\$ 1,297,554
Interest from participant loans	17,967

	1,315,521

Contributions:

Employer	615,008
Participants	1,393,969
Rollover	58,720

	2,067,697

TOTAL ADDITIONS	3,383,218

DEDUCTIONS:

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Deductions from net assets attributed to:	
Benefits paid to participants	592,950
Administrative expenses	104,086

TOTAL DEDUCTIONS	697,036

NET INCREASE	2,686,182
OTHER CHANGES:	
Investments transferred-in from other plans	6,025,864

NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	\$ 8,712,046
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See Notes to Financial Statements.

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(1) DESCRIPTION OF PLAN

The following description of the Stonepath Group, Inc. (the "Company") 401(k) Plan (the "Plan") provides only general information. The effective date of the Plan is January 1, 2003. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

GENERAL - The Plan is a defined contribution plan covering all full-time employees of the Company who have six months of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

CONTRIBUTIONS - Each year, participants may contribute up to 100% of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers eleven pooled separate accounts within the UBS Fiduciary Trust Company common collective trust fund and Company common stock as investment options for participants. The Company contributes 50% of the first 8% of base compensation that a participant contributes to the Plan. The matching Company contribution is participant-directed. Contributions are subject to certain limitations.

PARTICIPANT ACCOUNTS - Each participant's account is credited with the participant's contribution and allocations of (a) the Company's

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contribution and, (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations of expenses are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING - Participant's contributions plus actual earnings are 100% vested immediately. Employer contributions made after January 1, 2003 are generally subject to the following vesting schedule:

Years of Service -----	Vested % -----
0	20%
1	40%
2	60%
3	80%
4	100%

PARTICIPANT LOANS - Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. The loans are secured by the balance in the participant's account and bear interest at rates ranging from 2.0% to 10.5%, which are commensurate with local prevailing rates at the inception of the loan. Principal and interest are paid ratably through payroll deductions.

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(1) DESCRIPTION OF PLAN (CONTINUED)

PAYMENT OF BENEFITS - On termination of service, a participant will receive a lump-sum amount equal to the value of the participant's vested interest in his or her account.

As of December 31, 2003, participants who have elected to withdraw from the Plan but have not yet been paid have a vested interest in their accounts totaling \$30,878.

FORFEITED ACCOUNTS - At December 31, 2003, forfeited nonvested accounts totaled \$14,437. These accounts will be used to pay administrative expenses. Also, during the year ended December 31, 2003, employer contributions were reduced by \$1,835 from forfeited nonvested accounts.

INVESTMENT OPTIONS - Upon enrollment in the Plan, participants may direct employee and Company contributions in the following investment options:

- o UBS Fiduciary Trust Company Common Collective Trust - The participants may invest in various investment options under a common collective trust. A description of each investment option can be found in the Plan document.
- o Stonepath Group, Inc. Common Stock

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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BASIS OF ACCOUNTING - The financial statements of the Plan are prepared under the accrual method of accounting.

ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

INVESTMENT VALUATION AND INCOME RECOGNITION - The value of each investment option within the common collective trust is determined at the close of each business day based on fair value as determined by the respective fund managers. The fair values are generally determined based on quoted market prices of the funds' investment holdings. The value of the Company's common stock is based on quoted market price.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

PAYMENT OF BENEFITS - Benefits are recorded when paid.

ADMINISTRATIVE EXPENSES - Certain expenses of the Plan are paid by the sponsor and are not included in the Plan financial statements.

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(3) INVESTMENTS

The following investments represent 5% or more of the Plan's net assets available for benefits as of December 31, 2003:

UBS Fiduciary Trust Company	
Common Collective Trust Funds	
Large Company Growth Portfolio	\$ 2,222,634
Mid-Cap Growth Portfolio	1,069,980
Guaranteed Investment Contracts Portfolio	894,322
Conservative Bond Portfolio	649,380
Balanced Portfolio	643,318
International Growth Portfolio	607,664
Small Company Value Portfolio	466,740
Stonepath Group, Inc. Common Stock	779,625

During the year ended December 31, 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$1,297,554 as follows:

UBS Fiduciary Trust Company	
Common Collective Trust Funds	\$ 1,088,064
Stonepath Group, Inc. Common Stock	209,490

	\$ 1,297,554
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(4) PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

(5) TRANSACTIONS WITH PARTIES-IN-INTEREST

The Plan held 339,063 shares of Stonepath Group, Inc. common stock (employer securities) with a fair value of \$779,625 as of December 31, 2003. During the year ended December 31, 2003, the Plan purchased 90,254 shares of Stonepath Group, Inc. common stock at a cost of \$196,811, and sold 14,630 shares of Stonepath Group, Inc. common stock for \$34,949. During the year ended December 31, 2003, 263,439 shares of Stonepath Group, Inc. common stock with a value of \$384,910 were transferred in from other plans.

Certain Plan investments are units of common collective trusts and money market funds managed by UBS Fiduciary Trust Company, the Plan's Trustee. Transactions with UBS Fiduciary Trust Company qualify as party-in-interest transactions. Fees paid by the Plan for asset management services amounted to \$76,715 for the year ended December 31, 2003.

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(6) TAX STATUS

The Plan has adopted a prototype standardized 401(k) profit-sharing plan and trust sponsored by UBS Fiduciary Trust Company. The prototype plan has obtained a determination letter dated April 11, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. UBS Fiduciary Trust Company believes the Plan is currently designed and being operated in compliance with the applicable requirement of the Internal Revenue Code; therefore, no provision for income taxes has been included in the Plan's financial statements.

(7) INVESTMENTS TRANSFERRED IN FROM OTHER PLANS

Effective January 1, 2003, the following plans merged into the Stonepath Group, Inc. 401(k) Plan and their related investments were transferred into the Plan:

Plan Name	Investments Transferred
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Global Transportation Services, Inc. Profit Sharing 401(k) Plan	\$ 3,174,126
MGR, Inc. 401(k) & Profit Sharing Plan	2,645,265
Stonepath Group 401(k) Profit Sharing Plan & Trust	73,787
United American Freight Services, Inc. 401(k) Profit Sharing Plan	132,686

	\$ 6,025,864
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SUPPLEMENTAL SCHEDULE

SCHEDULE H, LINE 4I - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2003

(a)	(b)	(c) Description of investments including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Cu v
Identity of issue, borrower, lessor, or similar party				

UBS Fiduciary Trust Company Common Collective Trust				
*	GIC Portfolio	31,902.463 shares	(1)	\$
*	Conservative Bond Portfolio	21,926.859 shares	(1)	
*	Balanced Portfolio	15,677.647 shares	(1)	
*	Large Company Growth Portfolio	222,865.144 shares	(1)	2,
*	Large Company Value Portfolio	6,676.680 shares	(1)	
*	Mid-Cap Growth Portfolio	131,997.803 shares	(1)	1,
*	Small Company Value Portfolio	23,223.142 shares	(1)	
*	International Growth Portfolio	47,869.667 shares	(1)	
*	International Value Portfolio	16,779.288 shares	(1)	
*	Fixed Income Index Portfolio	11,246.349 shares	(1)	
*	S&P 500 Index	23,722.769 shares	(1)	
*	Cash	37,656.990 shares	(1)	
*	Stonepath Group, Inc. Stock Fund	339,063.000 shares	(1)	
*	Participant Loans	Interest ranging from 2.00% to 10.50%	(1)	

\$ 8,				
=====				

* Party-in-interest as defined by ERISA

(1) Cost information may be omitted as Plan assets are participant-directed.

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EXHIBIT LISTING

EXHIBIT NO. -----	DOCUMENT -----
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 12, 2004

Stonepath Group, Inc.
401(k) Profit Sharing Plan

By: /s/ Bohn H. Crain

Bohn H. Crain, Authorized
Signatory for Advisory
Committee, as Plan Administrator

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INDEX OF EXHIBITS

EXHIBIT NO. -----	DOCUMENT -----
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)

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