

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-10909

CORNICHE GROUP INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2343568
(I.R.S. employer
Identification No.)

Wayne Interchange Plaza I
145 Route 46 West, Wayne, NJ
(Address of principal executive offices)

07470
(Zip code)

Registrant's telephone number, including area code: 201-785-3330

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes X No

2,412,278 shares, \$.10 par value

(Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date)

Page 1 of 13 pages

CORNICHE GROUP INCORPORATED

TABLE OF CONTENTS

	Page
Part I - Financial Information	
Item 1. Financial Statement (Unaudited)	
Balance Sheet at September 30, 1996 and March 31, 1996	3
Statement of Operations for the three and six months ended September 30, 1996 and September 30, 1995	4

Statement of Cash Flows for the six months ended September 30, 1996 and September 30, 1995	5
--	---

Notes to Unaudited Financial Statements	6
---	---

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
---	----

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K	13
--	----

The financial statements are unaudited. However, the management of the registrant believes that all necessary adjustments (which include only normal recurring accruals) have been reflected to present fairly the financial position of the registrant at March 31, 1996 and September 30, 1996, the results of its operations for the three and six months ended September 30, 1996 and 1995 and the results of its operations and changes in its cash flows for the three months ended September 30, 1996 and 1995.

CORNICHE GROUP INCORPORATED
Balance Sheet

ASSETS

	September 30, 1996 (unaudited)	March 31, 1996 (audited)
Current assets:		
Cash	\$398	\$66
Notes Receivable (see Note 5)	0	125,000
Other Receivables	0	10,000
	-----	-----
Total current assets	398	135,066
Other assets:		
Property and equipment, net	941	1,135
	-----	-----
Total assets	\$1,339 =====	\$136,201 =====

LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY

Current liabilities:

Notes Payable	\$80,000	\$5,000
Note payable on debt compromise	77,630	77,630
Trade accounts payable	84,847	183,123
Dividends payable - preferred stock	116,573	84,749
Accrued liabilities	65,178	104,804
	-----	-----
Total current liabilities	424,228	455,306
	-----	-----

Stockholders' (deficiency) equity:

Stockholders's Equity (Deficiency)

Preferred Stock, \$.01 par value, authorized 5,000,000 shares including 1,000,000 shares of 7% cumulative convertible preferred stock, issued and outstanding 909,267 shares	909,267	909,267
Common stock, \$0.10 par value, authorized - 30,000,000 shares, issued 2,630,378 shares	263,037	263,037
Additional paid-in capital	830,086	830,086
(Accumulated deficit) retained earnings	(2,220,569)	(2,116,785)
	-----	-----
	(218,179)	(114,395)
Treasury stock-at cost, 218,100 shares.	(204,710)	(204,710)
	-----	-----
Total stockholders' (deficiency) equity	(422,889)	(319,105)
	-----	-----
Total liabilities and stockholders' (deficiency) equity	\$1,339 =====	\$136,201 =====

See accompanying notes

CORNICHE GROUP INCORPORATED
Statement of Operations
(UNAUDITED)

	- - 3 Months Ended - - Sept 30, 1996	Sept 30, 1995	- - 6 Months Ended - - Sept 30, 1996	Sept 30, 1995
Net Sales	\$0	\$0	\$0	\$0
Cost of Sales	0	0	0	0
Gross profit	0	0	0	0
	-	-	-	-
Selling, General and Administrative Expenses	(35,610)	(183,503)	(67,860)	(271,201)
Operating Loss	(35,610)	(183,503)	(67,860)	(271,201)
Interest (net)	(2,300)	8,329	(4,100)	8,329
Net loss before Preferred Dividend	(37,910)	(175,174)	(71,960)	(262,872)
Preferred dividend	(15,912)	(20,377)	(31,824)	(35,660)
Net Loss from Continuing Operations	(53,822)	(195,551)	(103,784)	(298,532)
Loss from Discontinued Operations	0	(1,474,056)	0	(2,759,290)
Net Income (Loss)	(53,822)	(1,669,607)	(103,784)	(3,057,822)
Loss per share of common stock				
Loss from Continuing Operations	\$(0.02)	\$(0.09)	\$(0.04)	\$(0.14)
Profit from Discontinued Operations	-	(0.64)	-	(1.25)
Net Profit (Loss) per share	\$(0.02)	\$(0.73)	\$(0.04)	\$(1.39)
Weighted average number of common shares outstanding	2,412,278	2,298,136	2,412,278	2,195,336

See Accompanying Notes

CORNICHE GROUP INCORPORATED
Statement of Cash Flows
(Unaudited)

	----- 6 Months Ended -----	
	Sept 30, 1996	Sept 30, 1995
Cash Flows from Operations:		
Net Loss from Continuing Operations	\$(103,784)	\$(298,532)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation	194	858
Changes in Assets and Liabilities:		
(Inc)/Dec in Notes Receivable	125,000	0
(Inc)/Dec in Other Receivables	10,000	(66,465)
(Inc)/Dec in Prepaid Expenses	0	(64,124)
Inc/(Dec) in Accounts Payable	(98,276)	271,241
Inc/(Dec) in Accrued Liabilities	39,626	(266,038)
Inc/(Dec) in Notes Payable	75,000	(4,613)
Increase in Dividends Payable	31,824	35,660
Net Cash Used in Continuing Operations	332	(392,013)
Net Cash Used in Discontinued Operations	0	(441,800)
Net Cash Used in Operating Activities	332	(833,813)
Cash Flows from Investing Activities:		
Payments to acquire fixed assets	0	(8,926)
Net Cash Used in Investing Activities	0	(8,926)
Cash Flows from Financing Activities:		
Issuance of common stock for cash	0	794,336
Issuance of common stock for settlement of liabilities	0	50,000
Net Cash Provided by Financing Activities	0	844,336
Net Increase in Cash	332	1,597
Cash at Beginning of Period	66	100
Cash at End of Period	\$ 398	\$1,697
	=====	=====

See accompanying notes.

CORNICHE GROUP INCORPORATED
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 1 The Company

Corniche Group Incorporated (hereinafter referred to as the "Company" or "CGI") as a result of a reverse acquisition with Corniche Distribution Limited and its Subsidiaries ("Corniche"), (see Basis of Presentation below) was engaged in the retail sale and wholesale distribution of stationery products and related office products, including office furniture, in the United Kingdom. The operating subsidiaries of Corniche were Chessbourne International Limited ("Chessbourne") and The Stationery Company Limited ("TSCL").

Corniche experienced large operating losses and net cash outflows from operating activities in fiscal 1995 and 1996 resulting in a significant reduction in working capital during that period. The Company was unsuccessful in its efforts to raise interim financing to resolve its liquidity problems. Additionally, the Company was not able to convert a significant portion of its bank debt to equity. As a result receivers were appointed to Corniche's subsidiaries, Chessbourne and TSCL on February 7, 1996 by their primary bankers and secured lender, Bank of Scotland and Corniche Distribution Limited was placed in receivership on February 28, 1996. (See Note 2). Since then the Company has been inactive.

Note 2 Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996 and the results of operations and cash flows for the six months ended September 30, 1996 and 1995. The results of operations for the six months ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

The March 31, 1996 balance sheet has been derived from the audited financial statements at that date included in the Company's annual report on Form 10-K. These unaudited financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K.

On March 2, 1995, the stockholders of Corniche exchanged all of their common stock for 1,097,250 shares of CGI. Since the former stockholders' of Corniche owned a majority of the outstanding stock of CGI after the acquisition, such purchase transaction was accounted for as a reverse acquisition. The acquired company (Corniche) was deemed to have acquired the acquiring company (CGI). Accordingly, CGI changed its fiscal year to the last Saturday in March of each year in order to conform to the fiscal year of its operating subsidiary. Historical stockholders' equity of Corniche has been retroactively restated to give effect to the recapitalization. The historical financial statements prior to March 2, 1995 are those of Corniche.

CORNICHE GROUP INCORPORATED
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 2 Basis of Presentation (continued)

A receivership proceeding involving the operating subsidiaries of the Company was commenced on February 7, 1996 and the UK holding company, Corniche Distribution Limited, was placed in receivership on February 28, 1996. The receiverships resulted in the loss of all of the Company's operations and operating assets and eliminated most liabilities. Accordingly the operating activities of the UK subsidiaries have been classified as a discontinued operation and the excess of the UK subsidiary's cumulative losses over the Company's investment was included in the income statement for the year ended March 31, 1996. In addition, the UK subsidiaries were removed from the balance sheet for periods subsequent to December 30, 1995.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's ability to continue as a going concern may depend on its ability to obtain outside financing sufficient to support it pending identification and completion of a suitable acquisition or acquisitions and its ability to obtain financing and consummate such acquisition or acquisitions. There can be no assurance given that the Company will obtain such short-term or long-term outside financing or complete the acquisition of new business operations.

Effective October 1, 1995 the Company declared a one-for-ten reverse stock split and all numbers of shares and share values stated herein reflect such reverse split unless otherwise noted.

Note 3 Income Taxes

Effective October 1993, the Company adopted SFAS 109, "Accounting for Income Taxes", which recognizes (a) the amount of taxes payable or refundable for the current year and (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an enterprise's financial statements or tax returns.

Income tax expense/benefit was calculated on a separate company basis between CGI and Corniche.

The Tax Reform Act of 1986 enacted a complex set of rules limiting the utilization of net operating loss carryforwards to offset future taxable income following a corporate ownership change. The Company's ability to utilize its NOL carryforwards is limited following a change in ownership in excess of fifty percentage points. The Company has fully reserved the balance of tax benefits of its operating losses because the likelihood of realization of the tax benefits cannot be determined.

CORNICHE GROUP INCORPORATED
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 3 Income Taxes (continued)

The Company is delinquent in the filing of Federal and State Income Tax returns for the fiscal year ended September 30, 1994, short period ended March 25, 1995 and the fiscal year ended March 31, 1996.

Note 4 New Accounting Standards

Effective fiscal 1996 the Company adopted Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments", and Statement of Position 94-6, "Disclosure of Certain Significant Risks and Uncertainties".

Note 5 Notes Receivable

Notes Receivable at March 31, 1996 comprised a 180-day promissory note in the principal amount of \$200,000 due from Chester Holdings, Ltd. ("Chester") as part consideration for the Company's former medical imaging subsidiary sold to Chester on March 25, 1995. The note was due on October 1, 1995 and includes an option to apply any unpaid balance of such note to purchase voting securities of Chester's operating subsidiary, or any new parent company of such operating subsidiary, at the fair market value of such securities. As of March 31, 1996 Chester was in default on the note and no principal or interest had been received. Through July 1996 the company received payments of principal in the aggregate sum of \$125,000. The Company does not anticipate further cash recoveries against this note. The Company is in negotiation regarding the exercising of its the option to apply the unpaid balance of the Note to purchase voting shares of Medical Laser Technologies, Inc., the corporate parent of the operating subsidiary. However no agreement has yet been reached and accordingly a provision against recovery of the balance of \$75,000 was made at March 31, 1996. No interest has been accrued.

Note 6 Notes Payable

The Company was in default on a Note Payable dated January 12, 1995 in the principle sum of \$17,000. In March 1997 the Company entered into a settlement agreement with the note holder pursuant to which the note holder accepted \$5,000 in full satisfaction of all remaining sums due including accrued interest.

During the period July 1996 through December 1996 the Company engaged in a private offering of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1993, as amended. The offering of up to \$300,000 was conducted on a "best efforts" basis through Robert M. Cohen & Company, Inc. ("RMCC") a New York based broker-dealer and was offered and sold

CORNICHE GROUP INCORPORATED
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 6 Notes Payable (continued)

in the form of \$25,000 units. Each unit consisted of one \$25,000 face amount 90-day, 8% promissory note and one redeemable common stock purchase warrant to purchase 60,000 shares of the Company's common stock at a price of \$0.50 per share during a period of three years from issuance. The offering was terminated in December 1996 upon the sale of 4 units resulting in \$100,000 in gross proceeds. During the period through September 30, 1996 3 units were sold resulting in \$75,000 in gross proceeds. In connection with such offering, RMCC was paid sales commissions equal to 10% of the aggregate purchase price of the units sold resulting in aggregate sales commissions of \$10,000.

Note 7 Note Payable on Debt Compromise

Notes Payable on debt compromise comprise a 180-day promissory note in the principal amount of 50,000 pounds sterling (approximately \$77,630) in favor of the Bank of Scotland, primary banker to Corniche. The note was issued to settle certain claims involving Corniche and the Company following the receivership proceeding involving the Company's UK subsidiary. The note was paid in full, including accrued interest, on January 30, 1997 and simultaneously the Company was released from any further obligation.

Note 8 Commitments and Contingencies

Legal Proceedings

During fiscal 1994, the Company disclosed irregularities in its revenue recognition practices which led to the restatement of the Company's financial statements for fiscal years ended September 30, 1989, 1990, and 1991, and the first quarter of fiscal 1992. As a result, nine class action securities complaints (the "lawsuits") were filed against the Company and certain other persons which were settled in January 1994. Pursuant to the settlement, the Company paid \$2,560,000 in cash in 1995 and issued \$1,000,000 in 7% cumulative convertible preferred stock. The preferred stock is convertible into common stock at a price of \$5.20 per share, and will be callable for five years. Stockholders who purchased CGI's shares between January 3, 1989 and May 7, 1992 have been included within the plaintiff class for purposes of the settlement.

CGI and certain of its former officers and directors were involved in a shareholders' derivative action filed in Delaware Chancery Court. The causes of action asserted included breach of fiduciary duty, breach of duty of care and trust of the Company's shareholders, gross negligence and mismanagement, as well as common law conspiracy and aiding and abetting. The Court granted the Company's motion to dismiss by Opinion and Order dated May 2, 1995. The Company instituted its own action in State Court in New Jersey against its former chief executive officer,

CORNICHE GROUP INCORPORATED
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 8 Commitments and Contingencies (continued)

Efriam Landa. The complaint was filed on May 4, 1995. Mr. Landa answered on October 16, 1995 and asserted counterclaims seeking (a) reimbursement of defense costs in the derivative action and related investigations by the Securities and Exchange Commission ("SEC") and the United States Attorney for the District of New Jersey and (b) damages for breach of his employment contract. This matter was settled by exchange of mutual releases on December 5, 1996.

In the opinion of management there are no other lawsuits or claims pending against the Company.

Note 9 Stockholders Equity

Effective October 1, 1995 the Company declared a one-for-ten reverse stock split and all numbers of shares and share values stated herein reflect such reverse split unless otherwise noted.

Note 10 Subsequent Events

Transfer of Pledged Securities

Effective January 30, 1997 the Company entered into a Stock Purchase Agreement with the Bank of Scotland and twelve unrelated persons whereby 1,042,250 of the 1,097,250 shares of the Company's common stock pledged to the Bank of Scotland by Brian J. Baylis and Susan A.M. Crisp to secure certain debts of Corniche Distribution Limited and subsidiaries to the Bank of Scotland were sold by the Bank of Scotland following a default in the obligation secured by the pledge to such twelve persons for an aggregate consideration of \$125,070.

Mutual Release

On January 30, 1997 the Company paid the Bank of Scotland \$89,374.49 in full satisfaction of all principal and interest due under a Promissory Note dated February 1996 to the Bank of Scotland in the principal amount of fifty thousand pounds sterling (see Note 6). In consideration thereof, the parties executed a Mutual Release dated as of January 30, 1997 whereby the Bank of Scotland released the Company and James J. Fyfe, the Company's sole officer and director, from all liabilities, accounts, courses of action, sums of money, reckonings, contracts, controversies, agreements, damages, judgements, executions, claims, demands, debts, obligations, promises, covenants, actions and undertakings which against the Company or Fyfe the Bank of Scotland ever had, had at the time of the release or could thereafter have by reason of any matter up to and through the date of the release and the Company and Fyfe released the Bank of Scotland in similar fashion.

CORNICHE GROUP INCORPORATED
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 10 Subsequent Events (continued)

Securities Offering

During the period January 1997 through April 30, 1997 the Company engaged in a private offering of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended. The offering consisted of up to 19 units being sold at an offering price of \$25,000 per unit. Each unit consisted of one \$25,000 face amount 90-day, 8% promissory note and one redeemable common stock purchase warrant to purchase 60,000 shares of the Company's common stock at a price of \$0.50 per share during a period of three years from issuance. The offering of up to \$475,000 was conducted on a "best efforts" basis through RMCC. In connection with such offering, RMCC was paid sales commissions equal to 10% of the purchase price for each unit sold or \$2,500 per unit. RMCC sold 17 units.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the Unaudited Financial Statements and notes thereto.

Results of Operations

The Company has been inactive since the receivership proceeding involving its former UK subsidiaries Corniche, Chessbourne and TSCL in February 1996.

The receiverships resulted in the loss of all of the Company's operations and operating assets and eliminated most liabilities. Accordingly the operating activities of the UK subsidiaries have been classified as a discontinued operation and the excess of the UK subsidiary's cumulative losses over the Company's investment was included in the income statement for the year ended March 31, 1996. In addition, the UK subsidiaries were removed from the balance sheet for periods subsequent to December 30, 1995.

During the period March 1996 through the date hereof management has been endeavoring to firstly raise interim financing to settle its outstanding liabilities and thereafter identify and evaluate potential acquisition opportunities.

The Company recorded a loss in the three and six months ended September 30, 1996 of \$35,610 and \$67,860 respectively, before interest expense and preferred stock dividend accrual. Such losses arose from general and administrative expenses, which principally comprise professional fees, travel expenses and general office costs. Compared to the corresponding period in 1995 such costs were \$147,893 lower in the three months ended September 30, 1996 and

\$203,341 lower in the six months then ended. The year on year reductions were primarily in the areas of insurance costs, legal and other professional fees, and general corporate costs.

Liquidity and Capital Resources

During the period July 1996 through December 1996 the Company engaged in a private offering of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended. The offering of up to \$300,000 was conducted on a "best efforts" basis through Robert M. Cohen & Company, Inc. ("RMCC") a New York based broker-dealer and was offered and sold in the form of \$25,000 units. Each unit consisted of one \$25,000 face amount 90-day, 8% promissory note and one redeemable common stock purchase warrant to purchase 60,000 shares of the Company's common stock at a price of \$0.50 per share during a period of three years from issuance. Through September 30, 1996 3 units were sold resulting in gross proceeds of \$75,000 (\$67,500 net of sales commissions) to the Company. The offering was terminated in December 1996 upon the sale of 4 units resulting in \$100,000 in gross proceeds. In connection with such offering, RMCC was paid sales commissions equal to 10% of the aggregate purchase price of the units sold resulting in aggregate sales commissions of \$10,000.

During the three and six months ended September 30, 1996 the Company relied on the net proceeds of the above offering and cash received against a note receivable and other sundry receipts to meet its urgent cash needs. The Company was not able to meet its liabilities as they fell due, however management was successful in negotiations to defer payment of major liabilities pending the conclusion of its efforts to secure additional interim debt/equity financing.

During the period January 1997 through April 30, 1997 the Company engaged in a private offering of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended. The offering consisted of up to 19 units being sold at an offering price of \$25,000 per unit. Each unit consisted of one \$25,000 face amount 90-day, 8% promissory note and one redeemable common stock purchase warrant to purchase 60,000 shares of the Company's common stock at a price of \$0.50 per share during a period of three years from issuance. The offering of up to \$475,000 was conducted on a "best efforts" basis through RMCC. In connection with such offering, RMCC was paid sales commissions equal to 10% of the purchase price for each unit sold or \$2,500 per unit. RMCC sold 17 units.

The Company's ability to continue as a going concern may depend on its ability to obtain outside financing sufficient to support it pending identification and completion of a suitable acquisition or acquisitions and its ability to obtain financing and consummate such acquisition or acquisitions. There can be no assurance given that the Company will obtain such short-term or long-term outside financing or complete the acquisition of new business operations.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits filed herewith:

None

(b) Forms 8-K filed during quarter:

None

SIGNATURES

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

CORNICHE GROUP INCORPORATED
(Registrant)

By /s/ James J. Fyfe
JAMES J. FYFE, Vice President and
Principal Financial Officer

Date: May 15, 1997

6-MOS
MAR-31-1997
SEP-30-1996
398
0
75000
(75000)
0
398
1426
(485)
1339
424228
0
929267
263037
(1595193)
1339
0
0
67860
31824
0
4100
(103784)
0
(103784)
0
0
(103784)
(0.04)
(0.04)