FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

(Mark One)

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

For the quarterly period ended October 7, 1995

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	22-2343568
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Wayne Interchange Plaza I, 145 Route 46 West, Wayne, New Jersey 07974
(Address of principal executive offices)
(Zip Code)

(201) 785-3338
(Registrant's telephone number, including area code)

Fidelity Medical, Inc.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the 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 the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No ______

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

	Outstanding as of November 17, 1995
Common Stock, par value $.10 per share	2,623,457 shares

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Balance Sheet

ASSETS

	October 7, 1995 (unaudited)	March 25, 1995 (audited)
Current assets:		
Cash	$ 19,721	$ 108,438
Accounts receivable	1,489,119	3,738,702
Allowances for doubtful accounts	(92,657)	(345,108)
Notes receivable	200,000	200,000
Inventory	2,680,582	3,146,307
Prepaid expenses and other	1,621,362	411,188
Total current assets	5,918,127	7,259,527
Other assets:		
Property and equipment-at cost, net	1,818,434	1,356,548
Intangible assets-at cost, net	1,852,012	1,206,495
Total assets	$ 9,588,573	$9,822,570

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Balance Sheet

LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY

	October 7, 1995 (unaudited)	March 25, 1995 (audited)
Current liabilities:		
Notes payable - bank	$ 2,486,539	$ 2,521,452
Trade accounts payable	5,559,833	4,065,439
Current portion of long-term debt	862,298	415,177
Dividends payable - preferred stock	57,614	21,954
Accrued liabilities	1,345,060	1,512,873
Deferred income	70,326	23,570
Payroll and sales tax payable	698,712	562,200
Total current liabilities	11,080,382	9,122,665
Long-term liabilities:		
Long-term debt	3,151,796	3,323,565
Deferred income	223,196	57,159
Deferred credit	35,406	37,998
Total long-term liabilities	3,410,398	3,418,722
Total liabilities	14,490,780	12,541,387
Cumulative redeemable preference shares and Class B Ordinary Shares	159,110	160,348
Commitments and contingencies (Note 11)		
Stockholders' (deficiency) equity:		
7% cumulative convertible preferred stock authorized and issued 1,000,000 shares, and outstanding 946,069 shares	946,069	946,069
Common stock, $0.10 par value,		

authorized- 30,000,000 shares, issued 2,623,457 (October 7, 1995) and 2,119,857 (March 25, 1995)	262,345	211,985
Additional paid-in capital	793,976	-
(Accumulated deficit) retained earnings	(6,863,747)	(3,827,879)
	(4,861,357)	(2,669,825)
Cumulative translation adjustment	4,750	(4,630)
Treasury stock - at cost, 218,100 shares	(204,710)	(204,710)
Total stockholders' (deficiency) equity	(5,061,317)	(2,879,165)
Total liabilities and stockholders' (deficiency) equity	$ 9,588,573	$ 9,822,570

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Statement of Operations

(UNAUDITED)

	------16 Weeks Ended------		-------28 Weeks Ended------	
	October 7, 1995	October 9, 1994	October 7, 1995	October 9, 1994
Net sales	$ 4,052,253	$ 6,917,064	$ 9,229,088	$ 10,699,222
Cost of sales	(2,703,630)	(5,266,849)	(6,767,648)	(7,973,840)
Gross profit	1,348,623	1,650,215	2,461,440	2,725,382
Selling, general and administrative expenses	(2,787,006)	(2,098,181)	(5,125,910)	(3,525,919)
Operating loss	(1,438,383)	(447,966)	(2,664,470)	(800,537)
(Loss) gain on sale of equipment	(5,953)	(9)	(7,685)	1,266
Interest expense, net	(204,894)	(143,069)	(350,007)	(245,121)
Net loss income before preferred stock dividend	(1,649,230)	(591,044)	(3,022,162)	(1,044,392)
Preferred stock dividend	(20,377)	(-)	(35,660)	(-)
Net loss	$(1,669,607)	$ (591,044)	$ (3,057,822)	$ (1,044,392)
Loss per share of common stock	($0.73)	($ 0.35)	($ 1.39)	($ 0.63)
Weighted average number of common shares outstanding	2,298,136	1,669,336	2,195,356	1,669,336

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Statement of Cash Flows
(UNAUDITED)

	-------28 Weeks Ended-------	
	October 7, 1995	October 9, 1994

Cash flows from operating activities:		
Net (loss) income	$(3,057,822)	$ (1,044,392)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	148,261	152,881
Amortization of goodwill	71,822	38,336
Amortization of trademarks	994	2,086
Amortization of deferred credit	(2,592)	(2,112)
(Gain)/Loss on sale of property and equipment	7,685	(1,266)
Allowance for bad debts	14,380	(39,634)
Changes in net assets and liabilities, net of effects from acquisitions:		
Decrease in accounts receivable	1,997,132	(281,120)
Decrease (increase) in inventory	465,725	(379,355)
Increase in prepaid expenses	(1,410,174)	(182,965)
Increase in trade accounts payable	567,779	(43,019)
(Decrease)/Increase in accrued liabilities	(167,813)	694,316
(Decrease) increase in deferred income	212,793	79,477
Increase in taxes payable	136,512	490,467
Net cash used in operating activities	(1,015,318)	(516,300)
Cash flows from investing activities:		
Payments for acquisition of business	-	(87,296)
Purchase of property and equipment	(206,693)	(205,104)
Proceeds from sales of property and equipment	99,247	29,729
Net cash used in investing activities	(107,446)	(262,671)
Balance carried forward	$(1,122,764)	$(778,971)

See accompanying notes

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Statement of Cash Flows
(UNAUDITED)

	-------16 Weeks Ended-------	
	October 7, 1995	October 9, 1994
Balance brought forward	$(1,122,764)	$(778,971)
Cash flows from financing activities:		
Net borrowings under line of credit agreement	(34,913)	320,865
Principal payments under capital lease obligations	(50,496)	(16,468)
Increase in bank loans	275,352	463,959
Net proceeds from issuance of common stock	794,336	-
Proceeds from issuance of common stock in settlement of liabilities	50,000	-
Net cash provided by (used in) financing activities	1,034,279	768,356
Effect of exchange rate on cash	(232)	-
Net increase (decrease) in cash	(88,717)	(10,615)
Cash at beginning of period	108,438	15,442

Cash at end of period	$ 19,721	$ 4,827

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - The Company

On September 28, 1995 Fidelity Medical, Inc. changed its name to Corniche Group Incorporated (hereinafter referred to as the "Company" or "CGI"). The Company as a result of a reverse acquisition with Corniche Distribution Limited and its Subsidiaries ("Corniche") (see "Reverse Acquisition" below), is 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 are Chessbourne International Limited ("Chessbourne"), The Stationery Company Limited ("TSCL"), and Kassel Limited ("Kassel").

Note 2 - Basis of Presentation

The accompanying unaudited consolidated 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 October 7, 1995, and the results of operations and cash flows for twenty-eight weeks ended October 7, 1995 and October 9, 1994. The results of operations for the twenty-eight weeks ended October 7, 1995 are not necessarily indicative of the results to be expected for the full year.

The March 25, 1995 Consolidated 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 consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 1995 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) is 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Significant losses were incurred during the twenty-eight weeks to October 7, 1995, and in the fiscal year ended March 25, 1995, resulting in a working capital and a stockholders' deficiency as of October 7, 1995 and March 25, 1995. Management of Corniche has taken several steps to reduce the amount of cash used by operations, including relocation of its corporate facilities and reducing staffing levels and other operating expenses. The Company's ability to continue as a going concern will depend on the continued support of its banks and its ability to achieve profitability by improving sales and margins, reduction of cash outflows and its ability to obtain outside financing sufficient to support expansion of the Company's 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 - Inventories

Inventories are valued at the lower of cost (first in, first out method) or market for wholesale inventories. The retail inventory method is used for inventory in retail stores.

Inventories consist of:

	March 25, 1995 (unaudited)	October 7, 1995 (audited)
Wholesale	$1,285,208	$1,906,300
Retail	1,395,374	1,240,007
	$2,680,582	$3,146,307

Reserves for slow-moving inventory as of October 7, 1995 and March 25, 1995 were approximately $65,656 and $40,224, respectively.

Note 4 - Commitments, Contingencies and Other

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. The preferred stock has been included in stockholders' equity at October 7, 1995 and at March 25, 1995. 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 has instituted its own action in State Court in New Jersey against its former chief executive officer, 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. No futher action has been taken to date in this matter.

There are other lawsuits and claims pending against the Company which arose in the normal course of business. In the opinion of management, none of these actions are expected to have a material adverse effect on the Company's financial position.

Note 5 - 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 statement or tax returns.

Income Tax expense (benefit) is calculated on a separate company basis between CGI and Corniche.

Note 6 - Acquisitions

On March 31, 1995 Corniche acquired seven retail stationery stores. The consideration paid totaled approximately $772,000 and was paid substantially by way of the assumption of liabilities. The acquisition has been accounted for under the purchase method of accounting.

The results of operations of those stores from the date of acquisition have been included in the Company's consolidated statement of operations.

The assets acquired and liabilities assumed (in thousands) on acquisition are as follows:

Fair value of assets acquired	$ 374
Goodwill	772
Cash paid	(25)
Liabilities assumed	$ 1,121

Note 7 - Stockholders Equity

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

During the twenty-eight weeks ended October 7, 1995 the Company sold 478,600 shares of common stock pursuant to an equity private placement through NWCM Limited at an aggregate purchase price of $957,200 which resulted in net proceeds to the Company after commissions of $842,336.

In addition the Company issued 25,000 shares of common stock to Trisec Holdings Ltd. for consultancy services in connection with the "Reverse Acquisition" (see Note 2) of Corniche on March 2, 1995.

Note 8 - Subsequent Events

In late June 1995, Corniche acquired the freehold interest in the Leek, Staffordshire warehouse and office facilities for a cash consideration of approximately $240,000. The consideration was partly funded by a $152,000 15-year business loan from Corniche's bank. The loan is collateralized by a mortgage on the property and carries a variable interest rate being the bank's base rate from time to time, currently 0.85% per month. Interest is added to the loan and the principal and interest are repayable by equal monthly installments over the term of the loan. The Leek facilities have been occupied by TSCL under license from a non-affiliated landlord since July 1994. These facilities are used for the storage and distribution of inventory for TSCL and house the marketing, buying and administrative functions of Chessbourne and TSCL.

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 Consolidated Financial Statements and notes thereto.

The results of operations for the twenty-eight weeks to October 9, 1994 relate to Corniche and its subsidiaries only. The results of operations of Corniche Group Incorporated have been included from March 2, 1995, the date of the Corniche acquisition.

The Company's functional currency is the British pound sterling. The average exchange rates used in converting pounds sterling to U.S. dollars was 1.5958 for the twenty-eight weeks to October 7, 1995 and 1.5144 for the corresponding period in 1994.

Results of Operations

The Company experienced large operating losses and net cash outflows from operating activities during the twenty-eight weeks to October 7, 1995 and in fiscal 1995 resulting in a significant reduction of working capital during that period and a stockholders deficiency of $5,061,317 at October 7, 1995. This reduction in working capital has adversely affected operating performance, as both Chessbourne and TSCL have encountered difficulty in replenishing inventory of key product lines. In addition, management has been unable to develop its retail activities or extend its "Style" and "Memo" brand product lines at the pace planned by management due to lack of capital. While management has taken several steps towards improving future financial results and reducing the amount of cash used by operations (including relocation of its corporate facilities and reducing staffing levels and other operating expenses), there can be no assurance that such steps will be successful. The Company's ability to continue as a going concern will depend on the continued support of its bankers and its ability to achieve profitability by improving sales and margins, reducing cash outflows and obtaining other sources of funding sufficient to support the Company's operations (see "Liquidity and Capital Resources" below), of which there can be no assurance.

The Company is also seeking to improve operating results by expanding the scope of its retail operations. It was entered into a non-binding letter of intent to acquire a 76 store retail stationery chain, with locations which the Company believes will be complementary to its existing locations. The purchase price is expected to be approximately $17 million, payable $12.5 million in cash, $3 million by a note, and $1.5 million in shares of the Company's Common Stock. Consummation of the transaction is subject to negotiation and execution of definitive acquisition agreements, due diligence review and financing. The Company is negotiating for financing for the cash portion of the purchase price. No assurances can be given that the Company will be able to obtain necessary financing or that the other conditions to consummation of a transaction will be satisfied.

Net revenues in the twenty-eight weeks ended October 7, 1995 decreased by $1,470,134 to $9,229,088, a 13.74% decrease on the net revenues for the corresponding period in 1994 of $10,699,222. Net revenues in the sixteen weeks ended October 7, 1995 decreased by $2,864,811 to $4,052,253, a 41.42% decrease on the corresponding period in 1994 of $6,917,064. Such decreases in net revenues are due mainly to a shortage of key inventory lines, particularly in Chessbourne, which have been partially offset by increased net revenues from the Company's retail operations. The following table sets out the net revenues by category for the sixteen and twenty-eight weeks to October 7, 1995 and the corresponding period in 1994:

	16 Weeks Ended		28 Weeks Ended	
	October 7, 1995	October 9, 1994	October 7, 1995	October 9, 1994
Wholesale activities	$1,507,822	$4,711,886	$4,609,282	$ 7,258,736
Retail activities	2,544,431	2,205,178	4,619,806	3,440,486
Total	$4,052,253	$6,917,064	$ 9,229,088	$10,699,222

Net revenues from wholesale activities in the sixteen weeks to October 7, 1995 decreased by $3,204,064 or 68.0% from the corresponding period in 1994 and by $2,649,454 or 36.50% in the twenty-eight weeks to October 7, 1995.

The Company's inability to replenish inventory of key product lines undoubtedly had a significant impact on net revenues achieved, not least because some major customers are unwilling to purchase from the Company unless a complete product range is available. In addition the Company had to forego wholesale revenues through not being able, for part of the period, to pass on cost price increases to its customers. These problems were compounded by shortages of some paper products on the world market.

Net revenues from retail activities in the sixteen weeks to October 7, 1995 increased by $339,253 or 15.38% as compared to the corresponding period in 1994. Of this increase approximately $898,000 was generated by stores opened in fiscal 1995 and the 7 stores acquired on March 31, 1995. These revenue increases were partially offset by lost revenues of approximately $586,000 through the closure of two underperforming stores. Stores trading in the sixteen week period during both 1995 and 1994 achieved an increase in net revenues of approximately $27,000 in 1995 as compared to the corresponding period in 1994. Retail activity net revenues increased by $1,179,320 or 34.28% in the twenty-eight weeks to October 7, 1995 as compared to the corresponding period in 1994. This increase comprises approximately $1,551,000 generated by new stores, approximately $462,000 generated by stores trading in both 1995 and 1994 and lost revenues of approximately $833,000 through the closure of two underperforming stores.

Gross profit decreased by $301,592 or 18.28% in the sixteen weeks to October 7, 1995 and by $263,962 or 9.68% in the twenty-eight weeks to October 7, 1995 as compared to the corresponding periods in 1994. The following table sets out gross profit by category for the sixteen and twenty-eight weeks to October 7, 1995 and the corresponding period in 1994:

	16 Weeks Ended		28 Weeks Ended	
	October 7, 1995	October 9, 1994	October 7, 1995	October 9, 1994
Wholesale activities	$ 131,470	$ 794,062	$ 355,637	$1,227,573
Retail activities	1,217,153	856,153	2,105,803	1,497,809
Total	$1,348,623	$1,650,215	$2,461,440	$2,725,382

Gross profit from wholesale activities as a percentage of net revenues decreased to 8.72% in the sixteen weeks to October 7, 1995 as compared to 16.85% in the corresponding period in 1994. The gross profit percentage in the twenty-eight weeks to October 7, 1995 decreased to 7.71% as compared to 16.91% in the corresponding period in 1994. Such decreases are primarily the result of cost price increases not being passed on to customers. Retail activity percentage gross profit as a percentage of net revenues increased for the sixteen weeks to October 7, 1995 to 47.83% as compared to 38.92% for the corresponding period in 1994 and to 45.58% for the twenty-eight weeks to October 7, 1995 as compared to 43.53% for the corresponding period in 1994.

Selling, general and administrative expenses for the sixteen weeks to October 7, 1995 increased by 32.83% or $688,825 to $2,787,006 as compared to the corresponding period in 1994 and by 45.38% or $1,599,991 to $5,125,910 in the twenty-eight weeks to October 7, 1995. The following table sets out selling, general and administrative expenses by business activity for the sixteen and twenty-eight weeks to October 7, 1995 and the corresponding period in 1994:

	16 Weeks Ended		28 Weeks Ended	
	October 7, 1995	October 9, 1994	October 7, 1995	October 9, 1994
Wholesale activities	$ 803,899	$ 903,290	$ 1,216,151	$1,312,006
Retail activities	1,661,273	1,076,284	3,267,196	1,850,524
Other	321,834	118,607	642,563	363,389
Total	$2,787,006	$2,098,181	$ 5,125,910	$3,525,919

Retail activity selling, general and administrative expenses increased by 54.35% or $584,989 in the sixteen weeks to October 7, 1995 as compared to the corresponding period in 1994. Approximately $498,000 of this increase results from the operation of new retail stores which was partially offset by a reduction in expenses of approximately $324,000 as a result of the closure of two stores. The balance of the increase in retail activity selling, general and administrative expenses of approximately $408,000 is the increase in expenses incurred by those stores operated in both 1995 and 1994. Retail activity selling, general and administrative expenses increased by $1,416,672 or 76.56% in the twenty-eight weeks to October 7, 1995 as compared to the corresponding period in 1994. Approximately $937,000 of this increase results from the operation of new stores and approximately $730,000 is the increase in expenses incurred by those stores operated in both 1995 and 1994. Such increases have been partially offset by a reduction in expenses of approximately $251,000 as a result of the closure of two stores.

The reverse acquisition of CGI on March 2, 1995 increased selling, general and administrative expenses in the sixteen weeks to October 7, 1995 by approximately $183,000 and by approximately $271,000 in the twenty-eight weeks to October 7, 1995. The principal elements of these corporate expenses are insurance and professional fees.

As a result of the foregoing the Company recorded an operating loss of $1,438,383 in the sixteen weeks to October 7, 1995 as compared to an operating loss of $447,966 in the corresponding period in 1994 and an operating loss of $2,664,470 in the twenty-eight weeks to October 7, 1995 as compared to an operating loss of $800,537 in the corresponding period in 1994.

Net interest expense in the sixteen weeks to October 7, 1995 increased by $61,825 to $204,894 as compared to $143,069 in the corresponding period in 1994. The increase in the twenty-eight weeks to October 7, 1995 was $104,886 from the corresponding period in 1994. These increases are due primarily to increased utilization of bank credit lines generally throughout the group.

Liquidity and Capital Resources

During the 28 weeks to October 7, 1995, there were net cash outflows from operating activities of $1,015,318, which together with certain non-operating activities were financed by increased bank loans of $275,352 and net proceeds from the issuance of common stock of $794,336. This net cash outflow principally resulted from the Company's net loss and investments in corporate facilities and new stores. During the 28 weeks to October 7, 1995, the Company relied on revenues from sales, increased bank loans, net proceeds from the issuance of common stock and trade credit to meet its working capital requirements and other operating needs.

As a result of the operating losses incurred in the 28 weeks to

October 7, 1995 and in fiscal 1995 and the consequential lack of capital, the Company is in breach of certain covenants relating to its lines of credit from its bankers. Such breaches are in respect of minimum net worth and financial ratio covenants. These covenants are subject to annual review and management believes that these breaches will be rectified during negotiations currently being conducted with its primary bankers. However, no assurances can be given about continued bank support.

Although management has taken several steps to reduce the amount of cash used by operations, including rationalization of corporate facilities and reducing staffing levels and other operating expenses, the Company's operations may not provide sufficient internally generated cash flows to meet its projected requirements. To supplement the funding of its operations, the Company obtained net cash proceeds from a bridge loan of $250,000 from an unaffiliated third party. In connection with this loan, the Company entered into an agreement to repay $300,000 on November 30, 1995 and assigned a security interest to the lender in the Company's accounts receivable and inventory as collateral for the loan. Subsequently, in March 1995, the lender converted the loan into 150,000 shares of the Company's common stock and the collateral referred to above was released.

Simultaneously with the Company's acquisition of Corniche on March 2, 1995, NWCM Limited, a Hong Kong investment banker, agreed, on a staggered basis, to raise up to $5,000,000 of new equity capital on a "best efforts" basis. The offer was limited to experienced, sophisticated investors who are "non-U.S. persons" under Regulation S of the United States Securities Act of 1993. An initial offer of 600,000 shares was made at a price of $2.00 per share. Through the conclusion of the offer 528,600 of such shares were sold at an aggregate purchase price of $1,057,200, which resulted in net proceeds to the Company after commissions of $894,336. Pursuant to the transaction, the Company paid NWCM a fee of $50,000. In addition, NWCM has received and will receive a sales commission of 10% and a non-accountable expense allowance equal to 2% of the aggregate purchase price of the stock sold. The Company has also agreed to indemnify NWCM for certain liabilities arising from the transaction. If through subsequent offerings, NWCM raises an aggregate of $5 million, NWCM will be granted a warrant entitling it to purchase a number of shares equal to 10% of the shares sold, exercisable for five years commencing six months after completion of the offering. Further, the Company will pay NWCM or one of its affiliates $5,000 per month for a period of one year, commencing 30 days after it has raised $5 million in the aggregate, as retainer for general investment banking services. There can be no assurance that the Company will raise additional equity or generate cash from its operations.

The Company is current in negotiation with its primary bankers, the Bank of Scotland, to convert a significant portion of its bank debt to equity but there can be no assurance given that it will do so.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Reference is made to the legal proceedings described in Note 3 to the Unaudited Consolidated Financial Statements in Item 1 of this report.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of stockholders on September 28, 1995. At the meeting, the following items were voted on by the shareholders:

1. Election of five directors;

2. Approval of the proposed change of the corporation's name to "Corniche Group, Inc.";

3. Approval of a proposed one for ten reverse stock split of the Company's outstanding Common Stock (retaining the same number of authorized common shares); and

4. Approval of a proposed increase in the number of shares of the Company's authorized Preferred Stock to 5 million shares.

All such matters were approved by the shareholders. The voting on such matters was as follows:

1. Directors	For	Against	Abstain

				(or Withhold Authority)
	Brian J. Baylis	18,965,366	-	103,339
	Susan A.M. Crisp	18,965,316	-	103,389
	James Fyfe	18,964,866	-	103,839
	George Lombardi	18,965,616	-	105,089
	Matthew P. Pazaryna	18,963,791	-	104,914
2.	Change of Name	19,015,401	38,885	14,419
3.	One for Ten Reverse Stock Split	18,494,470	179,286	12,366
4.	Increase in Authorized Preferred Stock	14,819,467	184,910	24,381

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* Shares are prior to reverse split.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - none.

(b) The Company filed a report on Form 8-K of July 25, 1995 relating to its new auditors. The Company also filed a report on Form 8-K on October 17, 1995 for an event on October 11, 1995, its delisting from the Nasdaq Smallcap market.

SIGNATURE

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.

Dated: November 22, 1995

FIDELITY MEDICAL, INC.

By: /s/ James Fyfe
James Fyfe
Chief Operating Officer and Assistant Secretary

By: /s/ Susan A.M. Crisp
Susan A.M. Crisp
Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary

SIGNATURE

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.

Dated: November 22, 1995

FIDELITY MEDICAL, INC.

By:
James Fyfe
Chief Operating Officer and Assistant Secretary

By: Susan A.M. Crisp
Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary

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6-mos
MAR-31-1996
OCT-07-1995
19,721
0
1,689,119
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2,680,582
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(3,057,822)
0
0
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(3,057,822)
(1.39)
0