

(Mark One)

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

For the quarterly period ended December 31, 1997

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.)

272 Rte 206, Bldg # B1.1
Flanders, NJ 07836

07836
(Zip code)

(Address of principal executive offices)

Registrant's telephone number, including area code 973-927-7155

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check X 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 No

6,105,231 shares, \$.10 par value as of February 1, 1998

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

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CORNICHE GROUP INCORPORATED

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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, 1997 and December 31, 1997, the results of its operations for the three and nine months ended December 31, 1997 and 1996 and the changes in its cash flows for the nine months ended December 31, 1997 and 1996.

CORNICHE GROUP INCORPORATED
Balance Sheet

ASSETS

	December 31, 1997 (unaudited)	March 31, 1997 (audited)
Current assets:		
Cash	\$1,020,941	\$ 13,167
Other receivables and prepaid expenses	2,231	1,000
	-----	-----
Total current assets	1,023,172	14,167
Other assets:		
Property and equipment, net	456	747
	-----	-----
Total assets	\$1,023,628 =====	\$14,914 =====

LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY

Current liabilities:		
Notes Payable	\$ 0	\$ 400,000
Trade accounts payable	554	4,929
Dividends payable - preferred stock	193,480	148,397
Accrued liabilities	27,950	113,297
	-----	-----
Total current liabilities	221,984	666,623
	-----	-----
Stockholders' (deficiency) equity:		
Preferred Stock, \$0.01 par value, authorized 5,000,000 shares including 1,000,000 shares of Series A 7% cumulative convertible preferred stock, issued and outstanding 896,967 shares of Series A preferred stock at December 31, 1997 (909,267 shares of Series A preferred stock at March 31, 1997)	896,967	909,267
Common stock, \$0.10 par value, authorized - 30,000,000 shares, issued 6,322,743 shares at December 31, 1997 (2,630,378 shares at March 31, 1997)	632,274	263,037
Additional paid-in capital	2,133,649	830,086
Accumulated deficit	(2,656,536)	(2,449,389)
	-----	-----
	1,006,354	(446,999)
Treasury stock-at cost, 218,100 shares	(204,710)	(204,710)
	-----	-----
Total stockholders' (deficiency) equity	801,644	(651,709)
	-----	-----
Total liabilities and stockholders' (deficiency) equity	\$1,023,628 =====	\$ 14,914 =====

See accompanying notes

CORNICHE GROUP INCORPORATED

Statement of Operations

(UNAUDITED)

	-- 3 Months Ended--		-- 9 Months Ended --	
	Dec. 31 1997	Dec. 31 1996	Dec 31, 1997	Dec 31 1996
Net Sales	\$0	\$0	\$0	\$0
Cost of Sales	0	0	0	0
Gross Profit	0	0	0	0
General & administrative expenses	(31,268)	(44,803)	(168,317)	(112,663)
Operating Loss	(31,268)	(44,803)	(168,317)	(112,663)
Interest (net)	6,125	(3,416)	6,253	(7,516)
Net Loss before Preferred Dividend	(25,143)	(48,219)	(162,064)	(120,719)
Preferred dividend	(15,697)	(15,912)	(45,083)	(47,736)
Net Loss	<u><u>\$ (40,840)</u></u>	<u><u>\$ (64,131)</u></u>	<u><u>\$ (207,147)</u></u>	<u><u>\$ (167,915)</u></u>
Loss per share of common stock	\$(0.01)	\$(0.03)	\$(0.04)	\$(0.07)
Weighted average number of common shares of outstanding	6,104,643	2,412,278	4,833,849	2,412,278

See accompanying notes

CORNICHE GROUP INCORPORATED

Statement of Cash Flows

(Unaudited)

	----- 9 Months Ended -----	
	Dec 31, 1997	Dec 31, 1996
Cash Flows from Operations:		
Net loss	\$(207,147)	\$(167,915)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	291	291
Changes in Assets and Liabilities:		
(Inc)/(Dec) in notes receivables	0	125,000
(Inc)/(Dec) in other receivables	1,000	10,000
(Inc)/Dec in prepaid expenses	(2,231)	0
Inc/(Dec) in accounts payable	(4,375)	(98,213)
Inc/(Dec) in accrued liabilities	(85,347)	(6,910)
Increase in dividends payable	45,083	47,736
Net Cash Used in Continuing Operations	----- (252,726) -----	----- (90,011) -----
Cash Flows from Financing Activities:		
Net proceeds from issuance of common stock for cash	1,660,500	0
Payment of notes payable	(450,000)	0
Additional borrowings	50,000	100,000
Net Cash Provided by Financing Activities	----- 1,260,500 -----	----- 100,000 -----
Net Increase in Cash	1,007,774	9,989
Cash at Beginning of Period	13,167	66
Cash at End of Period	----- \$1,020,941 =====	----- \$10,055 =====

See accompanying notes

CORNICHE GROUP INCORPORATED

NOTES TO UNAUDITED FINANCIAL STATEMENTS

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"), 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 December 31, 1997, the results of operations for the three and nine months ended December 31, 1997 and 1996 and the changes in cash flows for the nine months ended December 31, 1997 and 1996. The results of operations for the nine months ended December 31, 1997 are not necessarily indicative of the results to be expected for the full year.

The March 31, 1997 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.

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 its attempts to either identify and complete a suitable acquisition or acquisitions or to commence new business operations. There can be no assurance given that the Company will obtain such short-term or long-term outside financing or complete either the acquisition of, or the entry into, new business operations.

Note 2 Basis of Presentation (continued)

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.

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 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, payment of which was made in April 1997.

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 & Co., Inc. ("RMCC"), a New York based broker-dealer and was offered and sold in the form of \$25,000 units. Each unit consisted on 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 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. 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 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. Part of the proceeds were used to pay the promissory notes and redeem the common stock purchase warrants issued in the prior offering. 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 notes issued in this offering were paid and the common stock purchase warrants issued in this offering were redeemed during the quarter ended June 30, 1997.

Note 6 Commitments and Contingencies

Legal Proceedings

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

Note 7 Stockholders Equity

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

Equity Offering

On May 15, 1997, the Company commenced a private securities offering pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended. The offering consisted of up to 400 units, each unit consisting of 10,000 shares of common stock being offered at a price of \$5,000 per unit. RMCC was the placement agent for such offering and received a sales commission equal to 10% of the offering price for each unit sold. The first 50 units were offered on a "best efforts, all or none" basis. The remaining 350 units were offered on a "best efforts" basis. The offering closed on September 30, 1997 upon the sale of 369 units resulting in gross proceeds to the Company of \$1,845,000. The proceeds of such offering are intended to be utilized to enable the Company to attempt to effect the acquisition of an operating business entity for commence new business operations, for working capital and to pay off the promissory notes and to redeem the common stock purchase warrants issued in the Company's private securities

Note 7 Stockholders Equity (continued)

Equity Offering (continued)

offering which was completed on April 30, 1997. The proceeds raised have, to date, been utilized for working capital and to pay off the above described notes and redeem the above described common stock purchase warrants.

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

This Company has not engaged in any operating activities nor generated any operating revenues since February 1996 when its then operating subsidiaries were placed in receivership in the UK.

During the period March 1996 through the date hereof, the Company's primary activities have been to engage in three private securities offerings and to settle and pay off certain of its outstanding liabilities thereby making it a more desirably acquisition candidate.

The Company recorded losses in the three and nine months ended December 31, 1997 of \$31,268 and \$168,317 respectively, before interest 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 1996 such costs were \$13,535 lower in the three months ended December 31, 1997 and \$55,654 higher in the nine months then ended. The year on year reductions in three three month period were primarily in the area of professional fees and general corporate costs. The year on year increase in the nine months ended December 31, 1997 is due to the cost of redeeming common stock purchase warrants (\$76,500) only being partially offset by expense decreases in the areas of professional fees and general corporate costs.

Liquidity and Capital Resources

During the nine months ended December 31, 1997 the Company relied on the net proceeds of its securities offering which was completed on April 30, 1997 (see Note 5 of the Company's unaudited financial statements included in Part I-Item 1) and the securities offering described below and in Note 7 of the Company's unaudited financial statements included in Part I - Item 1 hereof to meet its cash needs.

On May 15, 1997 the Company commenced a private securities offering which was completed on September 30, 1997. The proceeds raised in such offering have been used as working capital and to pay off the promissory notes, and redeem the common stock purchase warrants issued in the private securities offering which was completed on April 30, 1997. Additional proceeds raised in such offering are intended to be utilized for working capital and to enable the Company to attempt to effect the acquisition of an operating business entity or commence new business operations. The Company does not expect to generate any operating revenues until, at the earliest, the consummation of an acquisition or commencement of new business operations. No assurance can be given however, that the Company will successfully consummate a business acquisition or commence new business operations or, if consummated, that the Company will derive any material revenues or profits therefrom.

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: February 13, 1998

(Replace this text with the legend)

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9-MOS

	MAR-31-1998	
	DEC-31-1997	
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	0	
	77,231	
	(75,000)	
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	1,023,172	
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(207,147)		
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	0	
		0
	(207,147)	
	(0.04)	
	(0.04)	