SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

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)	(I.R.S. Employer Identification No.)
610 SOUTH INDUSTRIAL BLVD., SUITE 220 EULESS, TEXAS	76040
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: 817-283-4250

NOT APPLICABLE
(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

22,282,745 SHARES, $.001 PAR VALUE, AS OF APRIL 30, 2001

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

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

March 31, 2001
(Unaudited)

INDEX

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	March 31, 2001	December 31, 2000
Current assets:		
Cash and equivalents	$ 45,569	$ 85,604
Marketable securities	2,048,069	2,376,214
Prepaid expenses and other current assets	55,909	75,291
Total current assets	2,149,547	2,537,109
Property and equipment, net	485,972	525,866
Deferred Acquisition Costs	121,928	76,950
Net assets of subsidiary, less reserve for loss of $431,857 at March 31, 2001	372,000	622,505
Other assets	4,175	4,175
	$3,133,622	$ 3,766,605

See accompanying notes to financial statements.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2001	December 31, 2000
Current liabilities:		
Dividends payable - preferred stock	$ 302,064	$ 290,143
Accounts payable, accrued expenses and other current liabilities	96,900	144,823
Current portion of long-term debt	21,883	23,459
Total current liabilities	420,847	458,425
Unearned revenues	174,895	114,808
Long-term debt	49,682	53,132
Series A Convertible Redeemable Preferred Stock:		
Series A $0.07 convertible redeemable preferred stock - stated value - $1.00 per share, authorized - 1,000,000 shares, outstanding - 681,174 shares at March 31, 2001 and December 31, 2000, respectively	681,174	681,174
Convertible Preferred Stock, Common Stock, Other Stockholders' Equity and Accumulated Deficit:		
Preferred stock - authorized - 5,000,000 shares Series B convertible preferred stock, $0.1 par value, authorized - 825,000 shares - outstanding 20,000 shares at March 31, 2001 and December 31, 2000, respectively	200	200
Common stock, $.001 par value, authorized - 75,000,000 shares, issued and outstanding - 22,282,745 shares at March 31, 2001 and 22,280,120 shares at December 31, 2000	22,283	22,280
Additional paid-in capital	8,831,221	8,830,489
Additional paid-in capital - stock options	2,667	2,667
Accumulated deficit	(7,049,347)	(6,396,570)
Total convertible preferred stock, common stock, other stockholders' equity	1,807,024	2,459,066
	$ 3,133,622	$ 3,766,605

See accompany notes to financial statements

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2001	For the Three Months Ended March 31, 2000
Earned revenues	$ 11,457	$ 1,479
Direct costs	7,415	8,942
Gross profit (loss)	4,042	(7,463)
General and administrative expenses	422,176	299,669
Operating loss	(418,134)	(307,132)
Other income (expense):		
Unrealized gain on marketable securities	--	4,182
Interest income	30,957	33,027
Interest expense	(3,174)	(2,240)
Total other income (expense)	27,783	34,969
Loss before preferred dividend	(390,351)	(272,163)
Preferred dividend	11,921	12,208
Net loss from Continuing Operations	$ (402,272)	$ (284,371)
Discontinued Operations:		
Income from Operations	181,352	85,230
Loss on Disposal	(431,857)	--
Net Loss	$ (652,777)	$ (199,141)
Earnings (Loss) per common share		
Loss for Continuing Operations	$ (0.02)	$ (0.02)
Discounted Operations:		
Income from Operation	$ 0.01	$ 0.01
Loss on Disposal	$ (0.02)	--
Net Loss	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding	22,280,127	13,428,062

See accompanying notes to financial statements.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK, COMMON STOCK, OTHER STOCKHOLDERS' EQUITY AND ACCUMULATED DEFICIT

FOR THE THREE MONTHS ENDED MARCH 31, 2001
(Unaudited)

	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Additional Paid-In Capital Stock Options	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance - January 1, 2001	20,000	$ 200	22,280,210	$22,280	$ 8,830,489	$ 2,667	$ (6,396,470)	$ 2,459,166
Issuance of common stock for services rendered	--	--	2,625	3	732		--	$ 735
Series A Convertible Stock dividends	--	--	--	--	--		(11,921)	$ (11,921)
Net loss before preferred stock dividend	--	--	--	--	--		(640,856)	$ (640,856)
Balance - March 31, 2001	20,000	$ 200	22,282,835	$22,283	$ 8,831,221	$ 2,667	$ (7,049,247)	$ 1,807,124

See accompanying notes to financial statements.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	For the Three Months Ended March 31, 2001	2000
Cash flows from operating activities:		
Net loss from continuing operations	$ (402,272)	$ (284,371)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized gain on marketable securities	--	(4,182)
Issuance of common stock for services rendered	735	--
Series A preferred stock dividends	11,921	12,208
Depreciation and amortization	39,894	37,983
Unearned revenues	60,087	3,784
Deferred acquisition costs	(44,978)	(2,061)
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Prepaid expenses and other current assets	19,382	23,390
Accounts payable, accrued expenses and other current liabilities	(47,923)	(431,528)
Total adjustments	39,118	(360,406)
Net cash used in operating activities	(363,154)	(644,777)
Cash flows from investing activities:		
(Increase) decrease in marketable securities	328,145	(1,014,345)
Investment in subsidiary	--	(200,000)
Net cash provided by (used in) investment activities	328,145	(1,214,345)
Cash flows from financing activities:		
Net proceeds from issuance of capital stock - net	--	1,340,870
Payments of capital lease obligations	(1,576)	(1,441)
Net repayments of notes payable	(3,450)	(4,206)
Net cash provided by (used in) financing activities	(5,026)	1,335,223
Net increase (decrease) in cash	(40,035)	(523,899)
Cash and cash equivalents at beginning of period	85,604	1,254,624
Cash and cash equivalents at end of period	$ 45,569	$ 730,725

See notes to financial statements.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	For the Three Months Ended March 31,	
	2001	2000
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period:		
Income taxes	$ --	$ --
Interest paid	$ 3,174	$ 2,240
Supplemental Schedules of Noncash Financing Activities:		
Series A Preferred Stock and dividends thereon converted to common stock and additional paid-in capital upon conversion	$ 11,921	$ 152,484
Issuance of common stock for services rendered	$ 735	$ --

See notes to financial statements.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2001
(Unaudited)

NOTE 1 - THE COMPANY.

Corniche Group Incorporated (hereinafter referred to as the "Company" or "CGI") was incorporated in Delaware on September 18, 1980 under the name Fidelity Medical Services, Inc. On July 28, 1983 the Company changed its name to Fidelity Medical, Inc. From its inception through March 1995, the Company was engaged in the development, design, assembly, marketing, and sale of medical imaging products. 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. Effective March 25, 1995, the Company sold its wholly-owned medical imaging products subsidiary. On September 28, 1995 the Company changed its name to Corniche Group Incorporated. In February 1996, the Company's United Kingdom operations were placed in receivership by their creditors. Thereafter, through May 1998, the Company had no activity.

On March 4, 1998, the Company entered into a Stock Purchase Agreement ("Agreement"), approved by the Company's stockholders on May 18, 1998, with certain individuals (the "Initial Purchasers") whereby the Initial Purchasers acquired an aggregate of 765,000 shares of a newly created Series B Convertible Redeemable Preferred Stock, par value $0.01 per share. Thereafter the Initial Purchasers have been endeavoring to establish for the Company new business operations in the property and casualty specialty insurance and the service contract markets.

NOTE 2 - DISCONTINUED OPERATIONS

On September 30, 1998, the Company acquired all of the capital stock of Stamford Insurance Company, Ltd. ("Stamford") from Warrantech Corporation ("Warrantech") for $37,000 in cash in a transaction accounted for as a purchase. Warrantech's chairman is the former chairman of the Company. Stamford was charted under the laws of, and is licensed to conduct business as an insurance company by, the Cayman Islands. Although Stamford has incurred expenses since its inception, it first generated revenues in the fourth quarter of 1999. Stamford is a property and casualty reinsurance company writing reinsurance coverages for one domestic carrier's consumer products service contracts. The domestic carrier was rated Excellent by A.M. Best. In the fourth quarter of 2000, the relationship with the carrier was terminated. Stamford continued to receive premiums through February 2001 for business written prior to termination. Stamford has not been able to obtain any additional reinsurance relationships.

NOTE 2 - DISCONTINUED OPERATIONS (Continued)

Consequently, on April 30, 2001 the Board approved the sale of Stamford to Butler Financial Solutions, LLC for $372,000. In connection with this sale, the Company has taken a charge of approximately $432,000 as the estimated loss on disposal of the subsidiary. The expected date of closing is on or before June 30, 2001.

The assets and liabilities of Stamford Insurance Company consisted of the following at March 31, 2001:

Cash and equivalents	$1,435,633
Deferred Acquisition Costs	62,029
License, net of accumulated amortization	15,252
Total assets	1,512,914
Accounts payable and accrued expenses	131,323
Unearned Revenues	496,233
Loss Reserves	81,501
Total liabilities	709,056
Net assets of Stamford	$ 803,857

The net income from operations of Stamford Insurance Company as of March 31 is:

	THREE MONTHS ENDED	
	2001	2000
Revenues	$ 246,744	$ 144,121
Net Income	181,352	82,069

NOTE - 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

(a) 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 March 31, 2001 and the results of operations and cash flows for the three months ended March 31, 2001 and 2000. The results of operations for the three months ended March 31, 2001 and 2000 are not necessarily indicative of the results to be expected for the full year.

The December 31, 2000 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.

(b) Cash Equivalents:

Short-term cash investments which have a maturity of ninety days or less when purchased are considered cash equivalents in the statement of cash flows.

(c) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Concentrations of Credit-Risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and marketable securities. The Company places its operations cash accounts with high credit quality financial institutions, which at times may be in excess of the FDIC insurance limit. The Company's marketable securities are primarily comprised of investment in U.S. Treasury and Federal Home Mortgage Corporation notes.

(e) Marketable Securities:

Marketable securities are classified as trading securities and are reported at market value. At March 31, 2001, marketable securities are comprised of U.S. Treasury and Federal Home Loan Mortgage Corporation notes whose cost approximated their market value.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

(f) Property and Equipment:

The cost of property and equipment is depreciated over the estimated useful lives of the related assets of 3 to 5 years. The cost of computer software programs is amortized over their estimated useful lives of five years. Depreciation is computed on the straight-line method. Repairs and maintenance expenditures which do not extend original asset lives are charged to income as incurred.

(g) Income Taxes:

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. There is no difference as to financial and tax basis of assets and liabilities.

(h) Fair Value of Financial Statements:

The Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". The statement requires that the Company recognizes and measures impairment losses of long-lived assets, certain identifiable intangibles, value long-lived assets to be disposed of and long-term liabilities. At March 31, 2001 and December 31, 2000, the carrying values of the Company's other assets and liabilities approximate their estimated fair values.

(i) Advertising Costs:

The Company expenses advertising costs as incurred. Advertising costs amounted to $66,718 and $5,769 for the three months ended March 31, 2001 and 2000.

(j) Earnings Per Share:

The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares use in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented as it is anti-dilutive in all periods.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

(k) Recently Issued Accounting Pronouncements:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 - "Reporting Comprehensive Income", No. 131 - "Disclosures about Segments of an Enterprise and Related Information", No. 132 - "Employer's Disclosures about Pension and Other Postretirement Benefits" and No. 133 - "Accounting for Derivative Instruments and Hedging Activities". Management does not believe that the effect of implementing these new standards will be material to the Company's financial position, results of operations and cash flows.

(l) Revenue Recognition:

The Company sells via the Internet through partnerships and directly to consumers extended warranty service contracts for seven major consumer products or stores. The Company recognizes revenue ratably over the length of the contract. The Company purchases insurance to fully cover any losses under the service contracts from a domestic carrier. The insurance premium and other costs related to the sale are amortized over the contract.

NOTE 4 - PROPERTY AND EQUIPMENT.

Property and equipment consists of the following:

	March 31, 2001	December 31, 2000
Computer equipment	$ 124,690	$ 124,690
Furniture and fixtures	41,635	41,635
Computer software	599,277	599,277
	765,602	765,602
Less: Accumulated depreciation	279,630	239,736
	485,972	525,866

Depreciation and amortization charged to operations was $39,894 and $37,983 for the three months ended March 31, 2001 and 2000, respectively.

NOTE 5 - ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES.

Accounts payable, accrued expenses and other current liabilities consist of the following at:

	March 31, 2001	March 31, 2000
Accrued Professional Fees	$ 34,027	$ 45,780
Insurance	--	29,183
Other	10,454	55,386
Accrued claims losses	--	5,000
Payroll and Director Fees	40,922	--
Travel & Entertainment	11,497	--
Total	$ 96,900	$ 135,349

NOTE 6 - NOTES PAYABLE.

In October 1999, the Company sold to accredited investors 10 units of its promissory notes and common stock for $25,025 each. Each unit was comprised of a 5% interest bearing $25,000 note and 25,000 shares. The variance between the fair market value of the 25,000 common shares issued in the aggregate of $27,969 and the cash received of $250 was deemed to be additional interest and was charged to operations over the life of the notes. The principal on the notes were repaid in full on December 31, 1999. At December 31, 1999, accrued interest on the notes of $3,025 remained outstanding and was repaid in January 2000.

NOTE 7 - LONG-TERM DEBT.

Long-term debt consists of the following at March 31, 2001 and December 31, 2000:

	March 31, 2001	December 31, 2000
Capital lease obligations	$ 3,243	$ 4,591
Note payable - bank - in equal monthly installments of $2,043 including interest at 8-3/4%. The notes are collateralized by computer equipment having an undepreciated cost of $72,631	68,322	72,000
	71,565	76,591
Less current maturities	21,883	23,459
	$ 49,682	$ 53,132

The aggregate future maturities of the obligations are as follows:

Years Ending March 31,	
2002	21,883
2003	24,059
2004	25,623
	$71,565

NOTE 8 - SERIES A CONVERTIBLE REDEEMABLE PREFERRED STOCK.

In connection with the settlement of a securities class action litigation in 1994, the Company issued 1,000,000 shares of Series A $0.07 Convertible Preferred Stock (the "Series A Preferred Stock") with an aggregate value of $1,000,000. The following summarizes the terms of the Series A Preferred Stock as more fully set forth in the Certificates of Designation. The Series A Preferred Stock has a liquidation value of $1 per share, is non-voting and convertible into common stock of the Company at a price of $5.20 per share. Holders of Series A Preferred Stock are entitled to receive cumulative cash dividends of $0.07 per share, per year, payable semi-annually. Until November 30, 1999 one Series A Preferred Stock was callable by the company at a price of $1.04 per share, plus accrued and unpaid dividends, and thereafter at a price of $1.05 per share, plus accrued and unpaid dividends. In addition, if the closing price of the Company's common stock exceeds $13.80 per share for a period of 20 consecutive trade days, the Series A Preferred Stock is callable by the Company at a price equal to $0.01 per share, plus accrued and unpaid dividends. The Certificate of Designation for the Series A Preferred Stock also states that at any time after December 1, 1999 the holders of the Series A Preferred Stocks may require the Company to redeem their shares of Series A Preferred Stock (if there are funds with which the Company may do so) at a price of $1.00 per share. Notwithstanding any of the foregoing redemption provisions, if any dividends on the Series A Preferred Stock are past due, no shares of Series A Preferred Stock may be redeemed by the Company unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed. During the year ended December 31, 2000, 128,800 shares of Series A Preferred Stock were converted into 24,473 shares of common stock. At March 31, 2001 and December 31, 2000, 681,174 shares of Series A Preferred Stock were outstanding. At March 31, 2001 and December 31, 2000, accrued dividends on these outstanding shares were $302,064 and $290,143, respectively.

NOTE 9 - STOCKHOLDERS' EQUITY.

(a) Series B Convertible Preferred Stock:

On March 4, 1998, the Company entered into a Stock Purchase Agreement ("Agreement"), approved by the Company's stockholders on May 18, 1998, with certain individuals (the "Initial Purchasers") whereby the Initial Purchasers and two other persons acquired an aggregate of 825,000 shares of a newly created Series B Convertible Redeemable Preferred Stock ("Series B Stock"), par value $0.01 per share. Pursuant to the Agreement and Subsequent transactions, the Initial Purchasers acquired 765,000 shares of Series B Stock for $76,500 in cash. The Company incurred certain legal expenses of the Initial Purchasers equaling approximately $50,000 in connection with the transaction. In addition, the Company issued 50,000 shares of Series B Stock to a consultant as compensation valued at

(b) NOTE 9 - STOCKHOLDERS' EQUITY. (Continued)

(a) Series B Convertible Preferred Stock: (Continued)

$5,000 for his assistance to the Company in the identification and review of business opportunities and this transaction and for his assistance in bring the transaction to fruition. Additionally, the Company issued 10,000 shares of Series B Stock to James Fyfe as compensation valued at $1,000 for his work in bringing this transaction to fruition. These issuances diluted the voting rights of the then existing stockholders by approximately 57%. The total authorized shares of Series B Convertible Redeemable Preferred Stock is 825,000.

The following summarizes the terms of the Series B Stock whose terms are more fully set forth in the Certificate of Designation. The Series B Stock carries a zero coupon and each share of the Series B Stock is convertible into ten shares of the Company's common stock. The holder of a share of the Series B Stock is entitled to ten times any dividends paid on the common stock and such stock has ten votes per share and vote as one class with the common stock.

The holder of any share of Series B Convertible Preferred Stock has the right, at such holders' option (but not if such share is called for redemption), exercisable on or after September 30, 2000, to convert such share into ten (10) fully paid and non-assessable shares of common stock (the "Conversion Rate"). The Conversion Rate is subject to adjustment as stipulated in the Agreement. Upon liquidation, the Series B Stock would be junior to the Corporation's Series A Preferred Stock and would share ratably with the common stock with respect to liquidating distributions. During the year ended December 31, 2000, holders of 805,000 shares of the Series B Preferred Stock converted their shares into 8,050,000 shares of the Company's common stock. At March 31, 2001, 20,000 Series B Preferred Shares were issued and outstanding.

The Company's right to repurchase or the holder's option to require the Company to redeem shares of Series B Stock was eliminated in fiscal 1999 pursuant to the terms of the Agreement and the Certificate of Designation.

(b) Common Stock:

The stockholders at the 2000 annual meeting approved amending the authorized common stock to 75 million shares from 30 million shares.

Commencing in May 1999 through July 1999, the Company sold 688,335 shares of its common stock to accredited investors for $538,492 net of offering costs. In December 1999, accredited investors purchased 5,187,500 shares of the Company's common stock for $3,715,744, net of offering costs. From January 1, 2000 through February 15, 2000, additional investors acquired 1,676,250 shares of the Company's common stock for approximately $1,206,000 net of offering costs.

NOTE 9 - STOCKHOLDERS' EQUITY. (Continued)

(b) Common Stock: (Continued)

The Company in 1999 issued 5,000 shares of its common stock whose fair value was $5,000 to its President as a signing bonus, which was charged to operations at the time of issuance. The Company also issued in 1999, 25,000 shares of its common stock whose fair value was $25,000 at the date of issuance to a public relations consultant for future services. The arrangement with the consultant was terminated in 1999 and the fair value of the shares was charged to operations in 1999.

The Company in 2000 issued 3000 shares of its common stock whose fair value was $7,688 to a consultant for promotional activities. The Company also issued 13,000 shares of its common stock whose fair value was $20,522 to its past and present board members for director's fees from the second quarter of 1998 through the second quarter of 2000.

During the quarter ended March 31, 2001, the Company issued 2625 shares of its common stock whose fair value was $735 to its board members for director's fees.

(c) Warrants:

The Company has issued common stock purchase warrants from time to time to investors in private placements, certain vendors, underwriters, and directors and officers of the Company.

A total of 101,308 shares of common stock are reserved for issuance upon exercise of warrants as of December 31, 1998 and March 31, 1998. Of these outstanding warrants, warrants for 9,375 common shares at $46.40 per share expired in April 1999. The remaining warrants to acquire 91,933 common shares at exercise prices ranging from $3.20 to $8.10 per share were granted in March 1995 to certain directors, officers and employees who converted previously outstanding stock options under a now-expired stock option plan into warrants on substantially the same terms as the previously held stock options, except the warrants were immediately vested. During fiscal 1999, warrants to acquire 22,308 common shares at prices ranging from $3.90 to $46.40 per share expired. No warrants were exercised during any of the periods presented. A total of 79,000 shares of common stock are reserved for issuance upon exercise of outstanding warrants as of December 31, 1999 at prices ranging from $3.20 to $27.50 and expiring through October 2004.

(d) Stock Options Plans:

The Company has two stock option plans. The 1998 Employee Incentive Stock Option Plan provides for the grant of options to purchase shares of the Company's common stock to employees. The 1992 Stock Option Plan provides for the grant of options to directors.

NOTE 9 - STOCKHOLDERS' EQUITY. (Continued)

(d) Stock Options Plans: (Continued)

In April 1992, the Company adopted the 1992 Stock Option Plan to provide for the granting of options to directors. Accordingly to the term of this plan, each director is granted options to purchase 1,500 shares each year. The maximum amount of the Company's common stock that may be granted under this plan is 20,000 shares. Options are exercisable at the fair market value of the common stock on the date of grant and have five years terms.

Under the 1998 Plan, the maximum aggregate number of shares, which may be issued under options, has been amended to 3,000,000 from 300,000 shares of common stock. The aggregate fair market value (determined at the time the option is granted) of the shares for which incentive stock options are exercisable for the first time under the terms of the 1998 Plan by any eligible employee during any calendar year cannot exceed $100,000. The option exercise price of each option is 100% of the fair market value of the underlying stock on the date the options are granted, except that no option will be granted to any employee who, at the time the option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any subsidiary unless (a) at the time the options are granted, the option exercise price is at least 110% of the fair market value of the shares of common stock subject to the options and (b) the option by its terms is not exercisable after the fifth anniversary of the date on which the option is granted.

The Board of Director's Compensation Committee administers the 1998 Plan. In 1999, options to acquire 100,000 common shares at $1.00 per share was granted to an officer. Additionally, an option to acquire 25,000 common shares at $0.6875 per share was issued to a consultant. In fiscal 2000, options to acquire 75,000 common shares at $1.097 per share, 100,000 common shares at $1.88 per share and 100,000 common shares at $1.94 per share were granted to officers.

Information with respect to options under the 1992 and 1998 Stock Option Plans is summarized as follows:

	For the Three Months Ended March 31,			
	2001		2000	
	Shares	Prices	Shares	Prices
Outstanding at beginning and end of period	403,000	$0.31 to $1.94	128,000	$0.31 to $1.00

Outstanding options expire 90 days after termination of holder's status as employee or director.

NOTE 9 - STOCKHOLDERS' EQUITY. (Continued)

(d) Stock Options Plans: (Continued)

All options were granted at an exercise price equal to the fair value of the common stock at the grant date. Therefore, in accordance with the provisions of APB Opinion No. 25 related to fixed stock options, no compensation expense is recognized with respect to options granted or exercised. Under the alternative fair-value based method defined in SFAS No. 123, the fair value of all fixed stock options on the grant date would be recognized as expense over the vesting period. Financial Accounting Standards Board Interpretation No. 44 is an interpretation of APB Opinion No. 25 and SFAS No. 123 which requires that effective July 1, 2000 all options issued to non-employees after January 12, 2000 be accounted for under the rules of SFAS No. 123. Options granted to non-employees after December 15, 1998 through January 12, 2000 are also required to follow SFAS No. 123 prospectively from July 1, 2000. The effect of the adoption of the Interpretation was a charge to operations in 2000 of $2,667 and an increase in additional paid in capital in the same amount.

Assuming the fair market value of the stock at the date of grant to be $.3125 per share in May 1996, $.40625 per share in May 1997, $.6875 in January 1999, $1.00 per share in September 1999, and $1.097 to $1.94 in June 2000, the life of the options to be from three to ten years, the expected volatility at 200%, expected dividends are none, and the risk-free interest rate of 10%, the Company would have recorded compensation expense of $77,229 and $1,938 for the three months ended March 21, 2001 and 2000 respectively as calculated by the Black-Scholes option pricing model. As such, pro-forma net loss and loss per share would be as follows:

	For the Three Months Ended March 31, 2001	For the Three Months Ended March 31, 2000
Net loss as reported	$ (652,777)	$ (186,933)
Additional compensation	77,229	1,938
Adjusted net loss	$ (730,006)	$ (188,871)
Loss per share as reported	$ (0.03)	$ (0.01)
Adjusted loss per share	$ (0.03)	$ (0.01)

As the number of options granted at December 31, 1998 is immaterial, recognizing the expense would not have a material effect on the Company's financial statements for the three months ended March 31, 2001.

NOTE 10 - INCOME TAXES.

The Company has received permission from the Internal Revenue Service to change its taxable year-end from March 31, to December 31, effective with the December 31, 1998 period.

The differences between income taxes computed using the statutory federal income tax rate and that shown in the financial statements are summarized as follows:

	For the Three Months Ended March 31,			
	2001		2000	
Loss before income taxes and preferred dividend	$(652,777)	%	$ 186,933	%
Computed tax benefit at statutory rate	$(221,944)	(34.0)	$ (63,600)	(34.0)
Total tax benefits	$ --	--	$ --	--

There are no significant differences between the financial statement and tax basis of assets and liabilities and, accordingly, no deferred tax provision/benefit is required.

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 during any three-year period. Upon receipt of the proceeds from the last foreign purchasers of the Company's common stock in January 2000, common stock ownership changed in excess of 50% during the three-year period then ended. The utilization of the Company's net operating loss carryforward at December 31, 2000 of approximately $4,581,000 was not negatively impacted by this ownership change. The future tax benefit of the net operating loss carryforward aggregated approximately $1,558,000 at December 31, 2000 has been fully reserved as it is not more likely than not that the Company will be able to use the operating loss in the future.

NOTE 11 - COMMITMENTS, CONTINGENCIES AND OTHER.

(a) Leases:

Commencing in August 1998, the Company entered into short-term operating leases for its general office space and certain office equipment. Prior to August 1998, the Company did not incur rent expense, as it was inactive. Rent expense charged to operations for the three months ended March 31, 2001 and 2000 was $12,525 respectively in each period. Future minimum annual rent commitments under operating leases expiring in July 2001, amounts to $16,700.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Quarterly Report on Form 10-Q and the documents incorporated herein contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Quarterly Report, statements that are not statements of current or historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "plan", "intend" "may," "will," "expect," "believe", "could," "anticipate," "estimate," or "continue" or similar expressions or other variations or comparable terminology are intended to identify such forward-looking statements .Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

GENERAL

On March 4, 1998, the Company entered into a Stock Purchase Agreement pursuant to which in May 1998, it sold to certain individuals (the "Initial Purchasers") an aggregate of 765,000 shares of a newly created Series B Convertible Redeemable Preferred Stock, par value for 0.01 per share for $76,500. Thereafter the Initial Purchasers endeavored to establish for the Company new business operations in the property and casualty insurance and extended warranty/service contracts markets. On September 30, 1998, the Company acquired Stamford Insurance Company Ltd., which was then an inactive foreign corporation licensed in the Cayman Islands as a casualty and property insurer. In the fourth quarter of 1999, Stamford commenced underwriting as a re-insurer and the Company commenced sales of its automotive and consumer product service contracts through its website at www.warrantysuperstore.com.

During the summer of 2000 management completed a re-appraisal of the Company's marketing strategy and concluded that it was in the best interests of the Company to focus its marketing effort on strategic business alliances to maximize revenue generation and achieve "cash flow positive" operations as early as possible. As a result the Company's current plan of operation is to establish its presence in the automobile and consumer product service contract business by co-branding and private labeling with strategic partners. To achieve this, the Company's web site software required significant upgrading and development to create the functionality and scalability required to provide flexible software applications for co-branding and private labeling with strategic partners. This work was completed in January 2001. Management believes that approximately 90% of its extended warranty/service contract revenues will, in the future, be generated via strategic partnerships with the balance of 10% coming from direct sales to consumers.

The company will continue to rely on its cash reserves and Treasury Note investments during the first half of fiscal 2001 to fund its operations. Management anticipates that sufficient funds will be provided by ongoing operations during the second half of fiscal 2001 to enable the Company to achieve break-even operating cash flow in the year ending December 31, 2001.

DISCONTINUED OPERATIONS

On September 30, 1998, the Company acquired all of the capital stock of Stamford Insurance Company, Ltd. ("Stamford") from Warrantech Corporation ("Warrantech") for $37,000 in cash in a transaction accounted for as a purchase. Warrantech's chairman is the former chairman of the Company. Stamford was charted under the laws of, and is licensed to conduct business as an insurance company by, the Cayman Islands. Although Stamford has incurred expenses since its inception, it first generated revenues in the fourth quarter of 1999. Stamford is a property and casualty reinsurance company writing reinsurance coverages for one domestic carrier's consumer products service contracts. The domestic carrier was rated Excellent by A.M. Best. In the fourth quarter of 2000, the relationship with the carrier was terminated. Stamford continued to receive premiums through February 2001 for business written prior to termination. Stamford has not been able to obtain any additional reinsurance relationships. Consequently, on April 30, 2001 the Board approved the sale of Stamford to Butler Financial Solutions, LLC for $372,000. In connection with this sale, the Company has taken a charge of approximately $432,000 as the estimated loss on disposal of the subsidiary.

RESULTS OF OPERATIONS

The Company recognizes revenue from its warranty service contracts and reinsurance business over the life of contracts executed. Additionally, the Company amortizes the insurance premium expense and third party claims fees evenly over the life of these contracts.

Three Months Ended March 31, 2001, Compared To Three Months Ended March 31, 2000.

The Company commenced the sale of its extended warranty/service contract products over the Internet in the last quarter of 1999. The sale of extended warranties and service contracts via the Internet generated gross revenues of $72,000 for the quarter ended March 2001 (quarter ended March 2000: $4,000) of which $11,000 were recognized as earned (quarter ended March 2000: $1,500). The balance of these revenues is being deferred over the life of the contracts. Similarly, direct costs associated with the sale of service contracts are being recognized pro rata over the life of the contracts.

General and administration expenses totaled $422,000 for the quarter ended March 2001 as compared to $300,000 for the quarter ended March 2000 or 40.6%. The increase is primarily due to increases in Web costs ($58,000), staff costs ($49,000), professional fees ($38,000) partially offset by a reduction in advertising ($52,000). The increase in payroll costs is primarily due to the appointment of a Chief Financial Officer and Chief Information Officer in June 2000. The increase in Web costs is due to hiring a consultant to expand the business model for co-brand and private label partners. The increase in professional fees is due to retaining two of the Board directors as consultants ($24,000) and ongoing director fees ($13,000). The reduction in advertising is due to the Company focusing on strategic partnerships and co-op advertising programs as compared to Internet banner promotions. Interest income from the U.S. investment account totaled $31,000 for the quarter ended March 2001 as compared to $33,000 for the quarter ended March

RESULTS OF OPERATIONS (CONTINUED)

2000 due to approximately $1,500,000 of the net proceeds of the Company's equity private placement in late February 2000 offset by approximately $1,700,000 used to fund ongoing operations during the last twelve months.

Preferred stock dividend accrued in the quarters ended March 2001 and March 2000 were $12,000, respectively. The majority of the reduction of the average number of Series A preferred stock outstanding occurred during the Quarter ended in March 2000.

Net loss for the quarter ended March 2001 increased 40.9% to $422,176 from the comparable loss of $299,669 for the quarter ended March 2000. This increases is a result of the reasons cited above.

LIQUIDITY AND CAPITAL RESOURCES

The following chart represents the net funds provided by or used in operating, financing and investment activities for each period as indicated:

	Three Months Ended	
	March 31, 2001	March 31, 2000
Cash used in Operating Activities	$(363,154)	$ (644,777)
Cash provided by (used in) Investing Activities	328,145	(1,214,345)
Cash provided by (used in) Financing activities	(5,026)	1,335,223

The Company incurred a net loss from continuing operations of $402,272 for the quarter ended March 2001. Such losses adjusted for non-cash items such as depreciation and amortization charges $39,894, deferred revenues (net of deferred acquisition costs) $15,109, preferred stock dividend accrual $11,921 and other non cash items totaling $735, totaling $67,659 coupled with the reduction of $47,923 in accrued expenses and a decrease in other assets of $19,382 resulted in funds used in continuing operations totaling $363,154 for the quarter ended March 31, 2001, net of working capital movements.

To meet its cash requirements during the quarter ended March 31, 2001 the Company relied on its investment account of $328,145 to fund the Company's operating expenses. Additionally, the Company generated cash from its Internet business, both earned and unearned, of approximately $72,000.

The Company has no contracted capital expenditure commitments in place. However, the Company spent approximately $58,000 in the quarter ended March 31, 2001 and will need to invest approximately $150,000 during the remainder of fiscal 2001 to maintain and promote its web site.

As of March 31, 2001 the Company had cash and cash equivalents totaling $45,569 and anticipates $372,000 proceeds in the near future for the sale of Stamford Insurance Limited. Additionally, it had Treasury and Federal Home Loan Mortgage notes totaling $2,048,069. The Company will continue to rely on its cash reserves and its note investments during the next quarter to fund its operations. Management anticipates that sufficient funds will be provided by ongoing operations to achieve break-even operating cash flow in the year ending December 31, 2001.

The Company plans to improve operating cash flow significantly in fiscal 2001 by reducing its advertising spending from approximately $1,134,000 in fiscal 2000 to less than $200,000 in fiscal 2001 and by focusing on strategic partnerships and co-op advertising programs to promote its products and services and customer awareness. For the quarter ended March 2001, advertising spending was approximately $23,000, or a decrease of approximately $52,000 from the quarter ended March 2000. There can be no assurance given that the company will be successful in its efforts to enter strategic partnerships or that it will be able to secure alternate sources of funding, if required, in the future.

INFLATION

The Company does not believe that its operations have been materially influenced by inflation in the quarter ended March 2001, a situation which is expected to continue for the foreseeable future.

CORNICHE GROUP INCORPORATED

PART II

OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Form 8-K was dated May 7, 2001 Changes in Registrant's Certifying Accountant.

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/ John L. King

John L. King, Vice-President and
Principal Financial Officer

Date: May 15, 2001