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 December 30, 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)

____
(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 February 28, 1996
Common Stock, par value $.10 per share	2,405,357 shares

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Balance Sheet

ASSETS

	December 30, 1995 (unaudited)	March 25, 1995 (audited)	Proforma March 25, 1995
Current assets:			
Cash	$ 210	$ 108,438	$ 100
Accounts receivable	0	3,738,702	0
Allowances for doubtful accounts	0	(345,108)	0
Notes receivable	200,000	200,000	200,000
Inventory	0	3,146,307	0
Prepaid expenses	142,785	411,188	0
Other receivables	86,067	0	18,422
Total current assets	429,062	7,259,527	218,522
Other assets:			
Property and equipment-at cost, net	1,232	1,356,548	0
Intangible assets-at cost, net	0	1,206,495	0
Investment in and advances to UK subsidiary	0	0	514,322
Total assets	$430,294	$ 9,822,570	$ 732,844

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Balance Sheet

LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY

	December 30 1995 (unaudited)	March 25, 1995 (audited)	Proforma March 25, 1995
Current liabilities:			
Notes payable	$ 11,679	$ 2,521,452	$ 16,292
Note payable on debt compromise	77,630	0	0
Trade accounts payable	325,646	4,065,439	55,366
Current portion of long-term debt	0	415,177	0
Dividends payable - preferred stock	72,897	21,954	21,954
Accrued liabilities	335,820	1,512,873	555,874
Deferred income	0	23,570	0
Payroll and sales tax payable	0	562,200	0
Total current liabilities	$ 823,672	$ 9,122,665	$ 649,486
Long-term liabilities:			
Long-term debt	0	3,323,565	0
Deferred income	0	57,159	0
Deferred credit	0	37,998	0
Total long-term liabilities	0	3,418,722	0
Total liabilities	823,672	12,541,387	649,486
Cumulative redeemable preference shares and Class B Ordinary Shares	0	160,348	0
Stockholders' (deficiency) equity:			
7% cumulative convertible preferred stock authorized and issued 1,000,000 shares, and outstanding 946,069 shares	946,069	946,069	946,069
Common stock, $0.10 par value, authorized- 30,000,000 shares, issued 2,623,457 (December 30, 1995) and 2,119,857 (March 25, 1995)	262,345	211,985	211,985
Additional paid-in capital	793,976	0	0
(Accumulated deficit) retained earnings	(2,191,058)	(3,827,879)	(869,986)
	(188,668)	(2,669,825)	288,068
Cumulative translation adjustment	0	(4,630)	0
Treasury stock - at cost, 218,100 shares.	(204,710)	(204,710)	204,710
Total stockholders'(deficiency) equity	(393,378)	(2,879,165)	83,358
Total liabilities and stockholders' (deficiency) equity	$ 430,294	$ 9,822,570	$ 732,844

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
Consolidated Statement of Operations
(UNAUDITED)

	12 Weeks Ended December 30, 1995	12 Weeks Ended December 31, 1994	40 Weeks Ended December 30, 1995	40 Weeks Ended December 31, 1994
Net sales	$ 0	$ 0	$ 0	$ 0
Cost of sales	0	0	0	0
Gross profit	0	0	0	0
Selling, general and administrative expenses	(84,914)	0	(356,115)	0
Operating loss	(84,914)	0	(356,115)	0
(Loss) on sale of Assets	(3,042)	0	(3,042)	0
Interest (net)	3,988	0	12,317	0
Net loss before Pref.Dividend	(83,968)	0	(346,840)	0
Preferred dividend	(15,283)	0	(50,943)	0
Net loss from Continuing Operations	(99,251)	0	(397,783)	0
Loss from Discontinued Operations	(672,742)	(228,796)	(3,432,032)	(1,273,188)
Excess of UK subsidiary cumulative losses over investment	5,466,636	0	5,466,636	0
Net Profit/(Loss)	$4,694,643	$ (228,796)	$ 1,636,821	$(1,273,188)
Profit/(Loss) per share of common stock				
(Loss) from continuing operations	$ (0.04)	$ (0.00)	$ (0.17)	$ (0.00)
Profit (Loss) from discontinued operations	1.99	(0.14)	0.89	(0.76)
Net Profit (Loss) per share	$ 1.95	$ (0.14)	$ 0.72	$ (0.76)
Weighted average number of common shares outstanding	2,408,307	1,669,336	2,260,599	1,669,336

See accompanying notes.

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

	40 Weeks Ended December 30, 1995	40 Weeks Ended December 31, 1994
Cash flows from operations:		
Net loss income from continuing operations	$ (397,783)	$ 0
Adjustments to reconcile net (loss) from continuing operations to net cash used in operating activities:		
Depreciation	1,652	0
Loss on sale of assets	3,042	0
Changes in assets and liabilities,		
Increase in prepaid expenses	(142,785)	0
Increase in other receivables	(67,646)	0
Increase in account payable	270,280	0
Decrease in accrued liabilities	(170,054)	0
Decrease in notes payable	(4,613)	0
Increase in dividends payable	50,943	0
Net cash used in continuing operations	(456,964)	0
Net cash used in discontinued operations	(331,336)	0
Net cash used in operating activities and carried forward	$ (788,300)	$ 0

See accompanying notes

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

	-------40 Weeks Ended-------	
	December 30, 1995	December 31, 1994
Net cash used in operating activities and brought forward	$ (788,300)	$ 0
Cash flows from investing activities:		
Payments to acquired fixed assets	(8,926)	0
Proceeds from sale of assets	3,000	0
Net cash used in investing activities	(5,926)	0
Cash flows from financing activities		
Issue of common stock for cash	794,336	0
Net cash provided by financing	794,336	0
Net increase in cash	110	0
Cash at beginning of period	100	0
Cash at end of period	210	0

See accompanying notes.

CORNICHE GROUP INCORPORATED AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - The Company

Corniche Group Incorporated (hereinafter referred to as the "Company" or "CGI") as a result of a reverse acquisition with Corniche Distribution Limited and its Subsidiaries ("Corniche") (see "Reverse Acquisition" below), has been 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").

Corniche experienced large operating losses and net cash outflows from operating activities in fiscal 1995 and in the forty weeks to December 30, 1995 resulting in a significant reduction in working capital during that period. The Company has been unsuccessful in seeking interim financing to resolve its liquidity problems. Additionally, the Company has not been 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 it is anticipated that Corniche will be placed in receivership on February 28, 1996. (See Notes 2 & 3)

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 December 30, 1995, and the results of operations and cash flows for forty weeks ended December 30, 1995 and December 31, 1994. The results of operations for the forty weeks ended December 30, 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 forty weeks to December 30, 1995, and in the fiscal year ended March 25, 1995, resulting in a working capital and a stockholders' deficiency as of December 30, 1995 and March 25, 1995. Management of Corniche had 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. However a receivership proceeding involving the operating subsidiaries of the Company was commenced on February 7, 1996 and it is anticipated that the UK holding company, Corniche Distribution Limited, will be placed in receivership on February 28, 1996. The receivership will result in the loss of all of the Company's operations and operating assets and will eliminate most liabilities. Accordingly the operating activitivies of the UK subsidiaries have been classified as a discontinued operation and the excess of the UK subsidiary's cumulative losses over the Company's investment is included in the income statement for the twelve and forty weeks to December 30, 1995. In addition, the UK subsidiaries have been removed from the balance sheet as of December 30, 1995 and the audited balance sheet as of March 25, 1995 has been restated on a proforma basis to reflect the removal of the UK subsidiaries as of that date. This significantly reduces the Company's stockholder equity deficiency. The adjustments necessary to eliminate the UK subsidiaries are set out in Note 3. The Company's ability to continue as a going concern may depend on its ability to obtain outside financing sufficent to support it pending completion of a contemplated acquisition and its ability to obtain financing and consummate the acquisition. There can be no assurance given that the Company will obtain such short-term or long-term outside financing or complete the pending acquisition.

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 - Subsequent Event

Receivers were appointed to Chessbourne and TSCL on February 7, 1996 and are anticipated to be appointed to Corniche on February 28, 1996. Proforma financial statements reflecting the impact of these receiverships and the adjustments necessary to eliminate these companies from the balance sheet are as follows:

PROFORMA BALANCE SHEET

	Consolidated December 30, 1995	Elimination of Subsidiary	Proforma December 30, 1995
ASSETS			
Current assets:			
Cash	$ 45,433	$ 45,223	$ 210
Accounts receivable	679,297	679,297	0
Allowances for doubtful accounts	(34,146)	(34,146)	0
Notes receivable	200,000	0	200,000
Inventory	2,120,367	2,120,367	0
Prepaid expenses	1,372,141	1,229,356	142,785
Other Receivables	86,067	0	86,067
Total current assets	4,469,159	4,040,097	429,062
Other assets:			
Property and equipment-at cost, net	1,781,126	1,779,894	1,232
Intangible assets-at cost, net	1,788,499	1,788,499	0
Total assets	$ 8,038,784	$ 7,608,490	$ 430,294
LIABILITIES			
Current liabilities:			
Notes payable	2,026,387	2,014,708	11,679
Note payable of debt compromise	0	(77,630)	77,630
Trade accounts payable	4,792,996	4,467,350	325,646
Current portion of long-term debt	700,476	700,476	0
Dividends payable	72,897	0	72,897
Accrued liabilities	1,581,497	1,245,677	335,820
Deferred income	69,067	69,067	0
Payroll and sales tax payable	994,342	994,342	0

Total current liabilities	10,237,662	9,413,990	823,672
Long-term liabilities:			
Long-term debt	3,358,962	3,258,962	0
Deferred income	212,108	212,108	0
Deferred credit	33,805	33,805	0
Total long-term liabilities	3,504,875	3,504,875	0
Total liabilities	13,742,537	12,918,865	823,672
Cumulative redeemable preference shares and Class B Ordinary Shares	156,261	156,261	0
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	0	946,069
Common stock, $0.10 par value, authorized- 30,000,000 shares, issued 2,623,457 (December 30, 1995) and 2,119,857 (March 25, 1995)	262,345	0	262,345
Additional paid-in capital	793,976	0	793,976
(Accumulated deficit) retained earnings	(7,754,330)	(5,563,272)	(2,191,058)
	(5,751,940)	(5,563,272)	(188,668)
Cumulative translation adjustment	96,636	96,636	0
Treasury stock - at cost, 218,100 shares.	(204,710)	0	(204,710)
Total stockholders' (deficiency) equity	(5,860,014)	(5,466,636)	(393,378)
Total liabilities and stockholders' (deficiency) equity	$ 8,038,784	$ 7,608,490	$ 430,294

CONSOLIDATED STATEMENT OF OPERATIONS

The "Consolidated Statements of Operations" for the twelve and forty weeks ended December 30, 1995 and for the corresponding periods in 1994 were as follows before the impact of the receivership proceedings involving the UK operating subsidiaries.

	12 Weeks Ended		40 Weeks Ended	
	12/30/95	12/31/94	12/30/95	12/31/94
Net Sales	3,141,628	5,612,330	$ 12,370,716	$ 16,311,552
Cost of Sales	(1,786,921)	(3,693,511)	(8,554,569)	(11,667,351)
Gross Profit	1,354,707	1,918,819	3,816,147	4,644,201
Selling, general & 0admin.exps	(1,960,863)	(2,001,600)	(7,086,773)	(5,527,519)
Operating Loss	(606,156)	(82,781)	(3,270,626)	(883,318)
(Loss) gain on sale of equipment	1,122	42	(6,563)	1,308
Interest expense, net	(151,676)	(146,057)	(501,683)	(391,178)
Net Loss before preferred stock dividend	(756,710)	(228,796)	(3,778,872)	(1,273,188)
Preferred stock dividend	(15,283)	(-)	(50,943)	(-)
Net Loss	$ (771,993)	$ (228,796)	$ (3,829,815)	$ (1,273,188)
Loss per share of common stock	$ (0.32)	$ (0.14)	$ (1.69)	$ (0.76)
Weighted average number of common shares outstanding	2,408,307	1,669,336 `	2,260,599	1,669,336

Note 4 - 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:

	December 30, 1995 (unaudited)	March 25, 1995 (audited)
Wholesale	$1,205,069	$1,906,300
Retail	915,298	1,240,007
	$2,120,367	$3,146,307

Reserves for slow-moving inventory as of December 30, 1995 and March 25, 1995 were approximately $98,938 and $40,224, respectively.

Note 5 - 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 further 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 6 - 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 7 - 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 8 - 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 forty weeks ended December 30, 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 $794,336.

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.

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 forty weeks to December 31, 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 1.5867 for the forty weeks to December 30, 1995 and 1.5144 for the corresponding period in 1994.

Results of Operations

Overview

The Company experienced large operating losses and net cash outflows from operating activities during the forty weeks to December 30, 1995 and in fiscal 1995 resulting in a significant reduction of working capital during that period and a stockholders deficiency of $5,741,424 at December 30, 1995. This reduction in working capital has adversely affected operating performance, as both Chessbourne and TSCL have encountered much 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 as planned by management due to lack of capital. While management had 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), a receivership proceeding involving the operating subsidiaries of the Company was commenced on February 7, 1996. The Company had been unsuccessful in its efforts to convert a significant portion of its bank debt to equity. Additionally, the Company had not achieved an interim financing to address the liquidity problems of its wholesale and retail stationery businesses. As a result receivers were appointed for the Company's UK operating subsidiaries-Chessbourne Limited and The Stationery Company Ltd.- by their primary bankers and secured lender, the Bank of Scotland, on February 7, 1996, and it is anticipated that the UK holding company-Corniche Distribution Limited-will be placed in receivership on February 28, 1996. The receiverships result in the loss of all of the Company's operations.

Notwithstanding the loss, the Company intends to continue in the retail stationery business by attempting to consummate an acquisition in the UK. In October 1995 the Company announced that it had reached agreement in principal to acquire a major stationery retailer in the UK subject to financing, due diligence and final documentation. Due diligence is now largely complete and the Company has signed legally binding heads of terms for an acquisition, subject only to financing and more complete documentation. The purchase price is expected to be approximately $17 million, payable $12.5 million in cash, $3 million by a note, and $1 million in shares of the Company's Common Stock. The Company believes that the acquisition target has achieved good profit and revenue growth in recent years and now trades from nearly 100 retail outlets throughout the UK, making it the country's largest specialist stationery retailer. Such retail outlets include certain of the former outlets of the Company, which were acquired by the acquisition target from the subsidiary's receiver on or about February 8, 1996.

The receivership not only removes all of the Company's operating assets, but also eliminates most liabilities (including over $5 million in bank debt). The Company's liabilities exceeded its assets by approximately $5.4 million at December 30, 1995. This significantly reduces the Company's stockholder equity deficiency to approximately $393,378. While no assurances can be given that the Company will be able to raise the necessary financing or otherwise complete the proposed acquisition, management believes (based on continuing discussion with proposed investment bankers for the transaction) that this reduction in liabilities will assist in negotiating the financing required to complete the proposed acquisition.

In a related transaction, Brian Baylis and Susan Crisp, the chief executive officer and chief financial officer of the Company, who collectively own approximately 45% of the Company's common stock, have agreed to pledge their shares as collateral against the shortfall which will be incurred by the Bank of Scotland in the receivership proceeding. The Company is also issuing a 180-day note in the amount of approximately $75,000 to settle certain claims involving its Corniche Distribution Limited subsidiary and the Bank of Scotland.

Period to Period Comparison

While the Company's Statement of Operations included the results of its UK subsidiaries, as a "Loss From Discontinued Operations" line entry, Note 3 to the financial statements sets out a proforma statement of operations in detail. The following discussion and analysis of results should be read in conjunction with such proforma financial statements.

Net revenues in the forty weeks ended December 30, 1995 decreased by $3,940,836 to $12,370,716, a 24.16% decrease on the corresponding period in 1994. Net revenues in the twelve weeks ended December 30, 1995 decreased by $2,470,702 to $3,141,628, a 44.02% decrease on the corresponding period in 1994. 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 twelve and forty weeks to December 30, 1995 and the corresponding period in 1994:

	12 Weeks Ended		40 Weeks Ended	
	December 30, 1995	December 31, 1994	December 30, 1995	December 31, 1994
Wholesale activities	$ 362,071	$3,135,336	$ 4,971,353	$10,394,072
Retail activities	2,779,557	2,476,994	7,399,363	5,917,480
Total	$ 3,141,628	$5,612,330	$12,370,716	$16,311,552

Net revenues from wholesale activities in the twelve weeks to December 30, 1995 decreased by $2,773,265 or 88.5% from the corresponding period in 1994 and by $5,422,719 or 52.2% in the forty weeks to December 30, 1995.

The Company's inability to replenish inventory, particularly of key product lines, had a very 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 twelve weeks to December 30, 1995 increased by $302,563 or 12.21% as compared to the corresponding period in 1994. Of this increase approximately $773,000 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 $395,000 through the closure of underperforming stores. Stores trading in the twelve week period during both 1995 and 1994 suffered a decrease in net revenues of approximately $75,000 in 1995 as compared to the corresponding period in 1994. Retail activity net revenues increased by $1,481,883 or 25.04% in the forty weeks to December 30, 1995 as compared to the corresponding period in 1994. This increase comprises approximately $2,324,000 generated by new stores, approximately $387,000 generated by stores trading in both 1995 and 1994 and lost revenues of approximately $1,229,000 through the closure of underperforming stores.

Gross profit decreased by $564,112 or 29.40% in the twelve weeks to December 30, 1995 and by $828,054 or 17.83% in the forty weeks to December 30, 1995 as compared to the corresponding periods in 1994. The following table sets out gross profit by category for the twelve and forty weeks to December 30, 1995 and the corresponding period in 1994:

	12 Weeks Ended		40 Weeks Ended	
	December 30, 1995	December 31, 1994	December 30, 1995	December 31, 1994
Wholesale activities	$ 52,975	$ 528,309	$ 408,612	$1,755,882
Retail activities	1,301,732	1,390,510	3,407,535	2,888,319
Total	$1,354,707	$1,918,819	$3,816,147	$4,644,201

Gross profit from wholesale activities as a percentage of net revenues decreased to 14.63% in the twelve weeks to December 30, 1995 as compared to 16.85% in the corresponding period in 1994. The gross profit percentage in the forty weeks to December 30, 1995 decreased to 8.22% as compared to 16.89% in the corresponding period in 1994. Such decreases are primarily the result of cost price increases not being passed on to customers and an imbalance in the mix of product sold. Retail activity gross profit as a percentage of net revenues decreased for the twelve weeks to December 30, 1995 to 46.83% as compared to 56.14% for the corresponding period in 1994 and to 46.05% for the forty weeks to December 30, 1995 as compared to 48.81% for the corresponding period in 1994.

Selling, general and administrative expenses for the twelve weeks to December 30, 1995 decreased by 2.04% or $40,737 to $1,960,863 as compared to the corresponding period in 1994 and increased by 28.21% or $1,559,254 to $7,086,773 in the forty weeks to December 30, 1995. The following table sets out selling, general and administrative expenses by business activity for the twelve and forty weeks to December 30, 1995 and the corresponding period in 1994:

	12 Weeks Ended		40 Weeks Ended	
	December 30, 1995	December 31, 1994	December 30, 1995	December 31, 1994
Wholesale activities	$ 263,286	$ 361,435	$1,479,437	$1,673,441
Retail activities	1,356,293	1,458,470	4,623,489	3,308,994
Other	341,284	181,695	983,847	545,084
Total	$1,960,863	$2,001,600	$7,086,773	$5,527,519

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Retail activity selling, general and administrative expenses decreased by 7.01% or $102,177 in the twelve weeks to December 30, 1995 as compared to the corresponding period in 1994. An increase of approximately $335,000 results from the operation of new retail stores which was offset by a reduction in expenses of approximately $212,000 as a result of the closure of stores and approximately $226,000 in expenses incurred by those stores operated in both 1995 and 1994. Retail activity selling, general and administrative expenses increased by $1,314,495 or 39.72% in the forty weeks to December 30, 1995 as compared to the corresponding period in 1994. Approximately $1,273,000 of this increase results from the operation of new stores and approximately $505,000 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 $463,000 as a result of the closure of stores.

The reverse acquisition of CGI on March 2, 1995 increased selling, general and administrative expenses in the twelve weeks to December 30, 1995 by approximately $59,000 and by approximately $204,000 in the forty weeks to December 30, 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 $606,156 in the twelve weeks to December 30, 1995 as compared to an operating loss of $82,781 in the corresponding period in 1994 and an operating loss of $3,370,626 in the forty weeks to December 30, 1995 as compared to an operating loss of $883,318 in the corresponding period in 1994.

Net interest expense in the twelve weeks to December 30, 1995 increased by $5,619 to $151,676 as compared to $146,057 in the corresponding period in 1994. The increase in the forty weeks to December 30, 1995 was $110,505 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 40 weeks to December 30, 1995, there were net cash outflows from operating activities of $527,479, which together with certain non-operating activities were financed by increased bank loans of $232,375 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 40 weeks to December 30, 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.

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 could 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 offering 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.

As a result of the operating losses incurred in the 40 weeks to December 30, 1995 and in fiscal 1995 and the consequential lack of capital, the Company's primary banker and secured lender in the UK, Bank of Scotland, appointed receivers to Chessbourne and TSCL on February 7, 1995. Additionally it is aniticipated that receivers will be appointed to Corniche, the UK holding company, on February 28, 1995.

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

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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - none.

(b) The Company filed a report on Form 8-K on February 12, 1996 relating to a receivership proceeding involving the Company's UK operating subsidiaries.

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: February 28, 1996 CORNICHE GROUP INCORPORATED

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