

TABLE OF CONTENTS

| | |
|--|----|
| ITEM 1. FINANCIAL STATEMENTS | 3 |
| Consolidated Unaudited Balance Sheet as of June 30, 2004 (restated)..... | 3 |
| Consolidated Unaudited Statements of Operations for the Quarters ended June 30, 2004 (restated) and March 31, 2003..... | 4 |
| Consolidated Unaudited Statements of Cash Flows for the Quarters ended June 30, 2004 (restated) and June 30, 2003..... | 5 |
| Notes to Consolidated Financial Statements..... | 6 |
| ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 11 |
| ITEM 3. CONTROLS AND PROCEDURES..... | 12 |
| PART II - OTHER INFORMATION | |
| ITEM 6. EXHIBITS AND REPORTS ON FORM 8K..... | 13 |
| SIGNATURES..... | 13 |

PART I - FINANCIAL INFORMATION

NOVA COMMUNICATIONS LTD.

Consolidated Balance Sheets

| | June 30, 2004 | |
|---|------------------|-------|
| | (restated) | |
| Assets | | |
| ----- | | |
| Current assets: | | |
| Cash | \$ 2,255 | \$ |
| Note receivable due within one year | - | |
| Current assets of discontinued operations | 51,435 | |
| | ----- | |
| Total current assets | 53,690 | |
| Equipment, net | 1,278 | |
| Equipment of discontinued operations, net | 140,221 | |
| Other assets: | | |
| Note receivable | - | |
| Advances receivables | 723,506 | |
| Other assets of discontinued operations, net | 62,811 | |
| | ----- | |
| Total other assets | 786,317 | |
| | ----- | |
| | \$ 981,506 | \$ |
| | ===== | ===== |
| Liabilities and Net Capital Deficiency | | |
| ----- | | |
| Current liabilities: | | |
| Accounts payable | \$ 164,205 | \$ |
| Payable to related parties | - | |
| Accrued payroll and payroll related liabilities | 215,772 | |
| Income taxes payable | 2,400 | |
| Other accrued liabilities | 55,000 | |
| Notes payable and accrued interest subject to conversion into an indeterminable number of shares of common stock | 324,372 | |
| Derivative liabilities | 100,475 | |
| Current liabilities of discontinued operations | 393,984 | |
| | ----- | |
| Total current liabilities | 1,256,208 | |
| Payable to related party | 441,232 | |
| Net capital deficiency: | | |
| Preferred stock; no par value; authorized 10,000,000 shares | - | |
| Common stock; \$.001 par value; authorized 500,000,000 shares; issued and outstanding 343,981,468 shares in 2004 (255,081,368 shares in 2003) | 343,981 | |
| Common stock to be issued | 10,000 | |
| Additional paid in capital | 21,005,771 | |
| Retained deficit | (22,075,686) | |
| | ----- | |

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

| | | | | |
|------------------------|--|--|------------|------|
| Net capital deficiency | | | (715,934) | |
| | | | ----- | --- |
| | | | \$ 981,506 | \$ |
| | | | ===== | ==== |

See accompanying notes.

3

NOVA COMMUNICATIONS LTD.

Consolidated Statements of Operations

| | Three months ended June 30 | | Six months ended | |
|---|----------------------------|----------------|------------------|----|
| | 2004 | 2003 | 2004 | |
| | (restated) | | (restated) | |
| Revenues | \$ 5,550 | \$ 8 | \$ 5,550 | \$ |
| Operating expenses | 635,922 | 1,881,588 | 2,065,976 | |
| Net loss from operations | (630,372) | (1,881,580) | (2,060,426) | |
| Other income (expenses): | | | | |
| Change in fair value of derivative liabilities | 66,984 | - | 80,677 | |
| Interest expense, net | (9,773) | (16) | (9,773) | |
| Other income (expense) | 57,211 | (16) | 70,904 | |
| Net income from continuing operations before provision for income taxes | (573,161) | (1,881,596) | (1,989,522) | |
| Provision for income taxes - State of California | - | - | - | |
| Net loss from continuing operations | (573,161) | (1,881,596) | (1,989,522) | |
| Net income (loss) from discontinued operations | - | (8,663) | - | |
| Net loss | \$ (573,161) | \$ (1,890,259) | \$ (1,989,522) | \$ |
| Net income (loss) per common share: | | | | |
| Continuing operations | \$ (.002) | \$ (.007) | \$ (.007) | \$ |
| Discontinued operations | \$ - | \$ - | \$ - | \$ |

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

See accompanying notes.

4

NOVA COMMUNICATIONS LTD.

Consolidated Statements of Cash Flows

| | Three months ended June 30 | | Six months ended | |
|--|----------------------------|----------------|------------------|----|
| | 2004 | 2003 | 2004 | |
| | (restated) | | (restated) | |
| Cash flows from operating activities: | | | | |
| Net loss from continuing operations | \$ (573,161) | \$ (1,881,596) | \$ (1,989,522) | \$ |
| Adjustment to reconcile net loss to net cash used in operating activities: | | | | |
| Provision for uncollectible note receivable | 16,274 | - | 16,274 | |
| Shares issued in exchange for compensation and services | 591,000 | 1,835,464 | 1,996,500 | |
| Changes in fair value of derivative liabilities | (66,984) | - | (80,677) | |
| Changes in assets and liabilities: | | | | |
| Receivables | - | 1,834 | - | |
| Accounts payable | (6,024) | (81) | (7,025) | |
| Accrued liabilities | 30,564 | 39,175 | 39,654 | |
| | (8,331) | (5,204) | (24,796) | |
| Cash flows from discontinued operations | - | 7,944 | - | |
| Cash flows from investing activities: | | | | |
| Principal repayments on notes receivable | 8,600 | 3,000 | 8,600 | |
| Advances paid | - | - | (210,000) | |
| | 8,600 | 3,000 | (201,400) | |
| Cash flows from financing activities: | | | | |
| Advances received from related party | 1,000 | - | 177,000 | |
| Net financing activities of discontinued operations | - | (5,881) | - | |
| | 1,000 | (5,881) | 177,000 | |
| Net change in cash | 1,269 | (141) | (49,196) | |
| Cash at beginning of period | 986 | 182 | 51,451 | |
| Cash at end of period | \$ 2,255 | \$ 41 | \$ 2,255 | \$ |

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

See accompanying notes.

5

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements

June 30, 2004

1. Summary of significant accounting policies

BUSINESS: Nova Communications Ltd. (the "Company" or "Nova") is incorporated under the laws of the State of Nevada. The Company invests in and provides managerial assistance to developing companies.

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Nova and its 100% owned subsidiary Kadfield, Inc. ("Kadfield"). All intercompany accounts and transactions have been eliminated.

On July 21, 2003 the Company decided to dispose of Kadfield. Kadfield has been accounted for as a discontinued operation and the results of operations have been excluded from continuing operations in the consolidated statements of operations for all periods presented.

INTERIM REPORTING: The Company's year-end for accounting and tax purposes is December 31. In the opinion of Management, the accompanying consolidated financial statements as of June 30, 2004 and 2003 and for the three and six months then ended, consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the consolidated financial statements, necessary to present fairly its financial position, results of its operations and cash flows. The results of operations for the three and six months ended June 30, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year.

RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS TO REFLECT DERIVATIVE ACCOUNTING: The Company has restated its previously issued interim financial statements to reflect additional non-operating gains related to the classification of and accounting for certain financial instruments with embedded derivative features.

The Company determined that it had not accounted for the embedded conversion feature of its convertible notes payable as a derivative instrument pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, and Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in A Company's Own Stock".

The Company estimated the fair value of the conversion feature of its notes payable to be \$100,475 as of June 30, 2004 and is reported in the accompanying balance sheet as derivative liabilities. Under EITF No. 00-19, this amount is reported separate from the convertible notes payable as derivative liabilities. Further, under SFAS No. 133, any change in fair value of derivative liabilities during the period is reported as other income or expense in the statement of operations. The Company recognized other income for the change in fair value of derivative liabilities in the consolidated statement of operations of \$66,984 for the three months ended June 30, 2004 and \$80,677 for the six months ended June 30, 2004.

1. Summary of significant accounting policies (continued)

CASH FLOWS: For purposes of the statement of cash flows, the Company and its subsidiaries consider cash equivalents to be highly liquid instruments if, when purchased, their original due dates were within three months.

EQUIPMENT: Equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets, which range from five to fifteen years.

STOCK OPTIONS AND WARRANTS: The Company uses a fair value based method of accounting for stock based compensation to employees.

The Company also accounts for stock options and warrants issued to non-employees for services under the fair value method of accounting.

DERIVATIVE INSTRUMENTS: In connection with the issuance of convertible notes payable, the terms of certain notes payable provide for principal and interest to be converted into an indeterminable number of shares of the Company's common stock. This variable conversion feature is determined to be an embedded derivative instrument and the Company has accounted for these derivatives pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in A Company's Own Stock". Under EITF No. 00-19, the estimated fair value of the embedded derivative instrument is reported separate from the notes payable on the date of issuance as derivative liabilities.

Derivative liabilities are reported at fair value as of the balance sheet date and any change in fair value during the period is reported as other income or expense in the statement of operations.

The Company recognized other income of approximately \$67,000 during the three months ended June 30, 2004 and \$80,700 during the six months ended June 30, 2004 relating to the change in fair value of its derivative liabilities.

NET LOSS PER COMMON SHARE: Net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. The weighted average number of common stock shares outstanding was 322,785,864 for the three months ended June 30, 2004 (264,407,336 for the three months ended June 30, 2003) and 305,948,501 for the six months ended June 30, 2004 (157,449,063 for the six months ended June 31, 2003). Common stock to be issued and convertible notes payable are not considered to be a common stock equivalent as the effect on net loss per common share would be anti-dilutive.

1. Summary of significant accounting policies (continued)

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

USE OF ESTIMATES: The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Management of the Company has made certain estimates and assumptions regarding the collectability of notes receivable. Such estimates and assumptions primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Operations

During 2003, the Company announced their intentions to divest of its investment in Kadfield, Inc. Also, the Company is currently negotiating with several companies in which to invest or acquire.

The Company believes the above actions and along with other plans will allow them to continue operations and ultimately achieve profitability. Until then, the Company is dependent upon its ability to obtain additional capital and debt financing. The consolidated financial statements as of June 30, 2004 do not reflect adjustments relating to the recorded asset amounts, or the amounts of liabilities that would be necessary should the Company not be able to continue in existence.

3. Cash flow information

Supplemental schedule of noncash financing activities are as follows:

| | Three months ended June 30 | | Six months ended | |
|--|----------------------------|------------|------------------|----|
| | 2004 | 2003 | 2004 | |
| Common stock issued in exchange for accrued payroll | \$ 90,000 | \$ - | \$ 180,000 | \$ |
| Common stock issued for long-term obligations to related parties | \$ - | \$ 625,000 | \$ - | \$ |

4. Advances receivable

The Company has advanced funds to a company for cash flow purposes. The advances are unsecured, non-interest bearing, and due on demand.

5. Notes payable subject to conversion into an indeterminable number of shares of common stock

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

Notes payable are due one year from the issuance date of the note with interest at a rate of 8% per annum. The notes, including unpaid interest, are convertible, in whole or in part, at any time after six months from the date of the note at the option of the holder. The notes are convertible at the option of the Company upon ten days written notice after six months from the date of the note or at the time of any public offering by the Company in an aggregate amount of no less than \$10,000,000, or upon any merger or acquisition to which the Company is a party. The notes may be converted at a price per share equal to 70% of the closing bid price of the Company's common stock on the date of the notice of conversion. There is no limit on the number of shares of common stock that would be required to be issued upon conversion of the notes payable and the number of shares required to be issued could exceed the number of shares of the Company's common stock currently authorized. The Company would have been required to issue 49,259,922 shares of its common stock if the principal and accrued interest of the notes were converted as of March 31, 2004.

6. Payable to related party

The payable to related party is due to a company controlled by the president of the Company. The advances are unsecured, non-interest bearing, and due on demand however, this company has agreed not to demand repayment before June 2005.

7. Preferred stock

The Company's preferred stock may be voting or have other rights and preferences as determined from time to time by the Board of Directors.

8. Common stock

On January 21, 2004, the Board of Directors authorized the issuance of 6,000,000 shares of common stock of the Company in exchange for \$180,000 of accrued payroll. Management of the Company valued the shares issued at \$.03 per share, the closing bid price of the Company's common stock on the date of issuance. Management of the Company estimated the value of the Company's shares granted after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

During the three months ended March 31, 2004, the Company issued an aggregate of 27,350,000 shares of its common stock in exchange for consulting and management services aggregating \$820,500. Management of the Company valued the shares issued at \$.03 per share, the closing bid price of the Company's common stock on the date of issuance. Management of the Company estimated the value of the Company's shares granted after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

9

8. Common stock

On May 14, 2004, the Board of Directors authorized the issuance of 4,500,000 shares of common stock of the Company in exchange for \$90,000

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

of accrued payroll. Management of the Company valued the shares issued at \$.02 per share, the closing bid price of the Company's common stock on the date of issuance. Management of the Company estimated the value of the Company's shares granted after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

During the three months ended June 30, 2004, the Company issued an aggregate of 22,550,000 shares of its common stock in exchange for consulting and management services aggregating \$451,000. Management of the Company valued the shares issued at \$.02 per share, the closing bid price of the Company's common stock on the date of issuance. Management of the Company estimated the value of the Company's shares granted after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

9. Stock based compensation -----

During the three months ended March 31, 2004, the Company issued 16,000,000 shares of its common stock to its president and 500,000 to an employee as compensation for services aggregating \$495,000. Management of the Company valued the shares issued at \$.03 per share, the closing bid price of the Company's common stock on the date of issuance. Management of the Company estimated the value of the Company's shares granted after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

During the three months ended June 30, 2004, the Company issued 5,500,000 shares of its common stock to its president and 1,500,000 to an employee as compensation for services aggregating \$140,000. Management of the Company valued the shares issued at \$.02 per share, the closing bid price of the Company's common stock on the date of issuance. Management of the Company estimated the value of the Company's shares granted after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

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

Management's discussion and analysis contains various forward-looking statements within the meaning of the Securities and Exchange Act of 1934. These statements consist of any statement other than a recitation of historical fact and can be

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

identified by the use of forward looking terminology such as "may", "expect", "anticipate", "estimates", or "continue" or use of negative or other variations of comparable terminology. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in our forward looking statements, that these forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in our forward looking statements.

Management's discussion and analysis should be read in conjunction with the financial statements and the notes thereto.

RESULTS OF OPERATIONS

Six months ended June 30, 2004 compared to the six months ended June 30, 2003

and three months ended June 30, 2004 compared to the three months ended June 30,

2003:

On July 21, 2003 the Company decided to dispose of Kadfield. Kadfield has been accounted for as a discontinued operation and the results of operations have been excluded from continuing operations in the consolidated statements of operations for all periods presented. During the three and six months ended June 30, 2004, management has been devoting its efforts toward identifying business investment and acquisition opportunities. The Company is currently providing working capital advances to a business opportunity.

Revenues were \$5,550 for the six months ended June 30, 2004 compared to \$7,732 for the six months ended June 30, 2003. The decrease of \$2,182 is a result of providing more overall management services in 2003.

Revenues were \$5,550 for the three months ended June 30, 2004 compared to \$8 for the three months ended June 30, 2003. The increase is a result of providing more management services during the three months ended June 30, 2004 then during the three months ended June 30, 2003.

Operating expenses were \$2,065,976 for the six months ended June 30, 2004 compared to \$2,299,119 for the six months ended June 30, 2003. The decrease of \$233,143 is a result of incurring less outside consulting services during the six months ended June 30, 2004 by \$218,964.

Operating expenses were \$635,922 for the three months ended June 30, 2004 compared to \$1,881,588 for the three months ended June 30, 2003. The decrease of \$1,245,666 is a result of incurring less outside consulting services during the three months ended June 30, 2004 by \$1,244,464.

11

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2004 compared to December 31, 2003:

The Company's total assets of \$981,506 as of June 30, 2004 increased by \$135,930

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

from those as of December 31, 2003 primarily as a result of two factors. The Company negotiated a final payment on its notes receivable by reducing the amount to \$8,600 that was received during the three months ended June 30, 2004. The Company has advanced a business opportunity an aggregate of \$210,000 during the six months ended June 30, 2004.

Payable to related party increased \$177,000 during the six months ended June 30, 2004 aggregating \$441,232 as of that date. This related party has agreed not to demand repayment of the advances before August 2005 and unless cash is available from operations or from a merger, capital stock exchange, asset acquisition, or other business combination. There can be no assurances that this related party will continue to provide advances to the Company.

ITEM 3. CONTROLS AND PROCEDURES

As of June 30, 2004 the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and President, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, these principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in the Company's periodic SEC filings. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8K

(a) Exhibits.

Exhibit

Edgar Filing: ENCOMPASS HOLDINGS, INC. - Form 10QSB/A

| Number | Description of Document |
|-------------|---|
| 2 | Articles and Agreement of Merger Between Nova Communications Ltd. and First Colonial Ventures, Ltd. - July 21, 1999 (Incorporated by reference) |
| 3(3)(i)(1) | First Colonial Ventures, Ltd. Articles of Incorporation - March 25, 1985 (Incorporated by reference) |
| 3(3)(i)(2) | First Colonial Ventures, Ltd. Amendment to Articles of Incorporation - August 12, 1985 (Incorporated by reference) |
| 3(3)(i)(3) | First Colonial Ventures, Ltd. Amendment to Articles of Incorporation -September 3, 1985 (Incorporated by reference) |
| 3(3)(i)(4) | First Colonial Ventures, Ltd. Amendment to Articles of Incorporation -February 3, 1992 (Incorporated by reference) |
| 3(3)(i)(5) | Nova Communications Ltd Articles of Incorporation - July 13. 1999 (Incorporated by reference) |
| 3(3)(ii)(1) | Bylaws (Incorporated by reference) |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification |
| 32.1 | Section 1350 Certification |
| 32.2 | Section 1350 Certification |
| (b) | Reports on Form 8-K. ----- No reports on Form 8-K were filed during the period covered by this report. |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 30, 2006

ENCOMPASS HOLDINGS, INC.

By: /s/ ARTHUR N. ROBINS

Arthur N. Robins
Chief Executive Officer

By: /s/ LESLIE I. HANDLER

Leslie I. Handler, President