ENCOMPASS HOLDINGS, INC.
Form 10QSB/A
May 31, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2005

[ ] Transition report under Section 13 or 15(d) of the Exchange Act for the transition period from __________ to __________.

Commission File Number: 000-31451

ENCOMPASS HOLDINGS, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA	95-4756822
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1005 Terminal Way, Suite 110, Reno, Nevada 89502
(Address of principal executive office) (Zip Code)

(775) 324-8531
(Issuer's telephone number)

NOVA COMMUNICATIONS LTD.
(Former name, former address, and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ____

As of November 16, 2005, the number of outstanding shares of the issuer's common stock, $0.001 par value, was 10,975,193 shares.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT: Yes [ ] No [X]

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PART II - OTHER INFORMATION

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NOVA COMMUNICATIONS LTD.

Consolidated Condensed Balance Sheets

	September 30, 2005 (restated)
Assets	
Current assets:	
Cash	$ -
Accounts receivable, less allowance for uncollectible accounts	358,092
Receivable from related party	148,256
Prepaid expenses	270,462
Other current assets	23,004
Total current assets	799,814
Equipment, net	10,164,471
Other assets:	
Note receivable	139,923
Deposits & other	422,221
Other assets	4,942
Total other assets	567,086
	$ 11,531,371
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	$ 1,569,331
Accrued liabilities	1,153,752
Unearned revenue	450,134
Notes payable and accrued interest subject to conversion into an indeterminable number of shares of common stock	166,961
Derivative liabilities	123,281
Long-term debt due within one year	1,871,183
Other current liabilities	119,863
Total current liabilities	5,454,505
Long-term debt to related parties	195,236
Long-term debt	2,369,964
Stockholders' equity:	
Preferred stock; $.001 par value; authorized 200,000 shares; outstanding 200,000 shares	200
Common stock; $.001 par value; authorized 500,000,000 shares; issued and outstanding 8,162,032 shares (6,001,332 shares at June 30, 2005)	8,162
Common stock to be issued	8,703,927

Convertible promissory note and accrued interest	101,140
Additional paid in capital	23,043,168
Retained deficit	(28,344,931)
Total stockholders' equity	3,511,666
	$ 11,531,371

See accompanying notes.

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NOVA COMMUNICATIONS LTD.

Consolidated Condensed Statements of Operations

	Three mon Septem
	2005
	(restated)
Revenues	$ 1,119,416
Cost of goods sold	276,039
Gross profit	843,377
General and administrative expenses	1,685,593
Research and development expenses	647
Net loss from operations	(842,863)
Other income (expenses):	
Change in fair value of derivative liabilities	(8,808)
Interest expense	(22,684)
Total other income (expenses)	(31,492)
Net loss from operations before provision for income taxes	(874,355)
Provision for income taxes - State of California	-
Net loss	$ (874,355)
Net loss per common share	$ (.145)

See accompanying notes.
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NOVA COMMUNICATIONS LTD.

Consolidated Condensed Statements of Cash Flows

	Three mon Septem
	2005
	(restated)
Cash flows from operating activities:	
Net loss	$ (874,355)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation & amortization	295,017
Shares issued in exchange for compensation & services	226,056
Change in fair value of derivative liabilities	8,808
Unearned revenue	(70,893)
Provision for income taxes	-
Changes in assets and liabilities:	
Receivables	43,323
Other assets	16,299
Checks issued in excess of bank deposits	-
Accounts payable	383,600
Other liabilities	387,242
	415,097
Cash flows from investing activities:	
Capital expenditures	(351,937)
Repayment of advances to related parties	7,113
Advances paid to related parties	(80,653)
	(425,477)
Cash flows from financing activities:	
Advances received from related parties	-
Repayment to related parties	(45,916)
Proceeds from convertible notes payable	10,000
	(35,916)
Net change in cash	(46,296)
Cash at beginning of period	46,296
Cash at end of period	$ -
Supplemental schedule of noncash financing activities:	
Common stock issued in exchange for accrued payroll	$ -
Notes and accrued interest converted into common stock	$ 9,774

See accompanying notes.

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
September 30, 2005

1. Summary of significant accounting policies

BUSINESS COMBINATIONS AND BASIS OF CONSOLIDATION: The consolidated condensed financial statements include the accounts of Nova, AquaXtremes, Inc., Xtreme Engines, Inc., NACIO Systems, Inc., and Interactive Holding Group, Inc. since their acquisitions and Kadfield, Inc. until its divestiture. All intercompany accounts and transactions have been eliminated.

On August 30, 2004, the Company acquired 51% of Realized Development, Inc. Realized Development, Inc. changed its name to AquaXtremes, Inc. ("Aqua") in December 2004. On May 9, 2005, the Company acquired the remaining 49% of Aqua.

In December 2004, Aqua formed Xtreme Engines, Inc. ("Engines") and owns 100% of its common stock.

Effective April 1, 2005, the Company acquired 100% of NACIO Systems, Inc. ("NACIO"). NACIO owns 100% of Interactive Holding Group, Inc. ("IHG").

The Company disposed of its' common stock of Kadfield effective December 31, 2004.

INTERIM REPORTING: The Company's year-end for accounting purposes is June 30. In the opinion of Management, the accompanying consolidated condensed financial statements as of September 30, 2005 and 2004 and for the three months then ended, consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the consolidated condensed financial statements, necessary to present fairly its financial position, results of its operations and cash flows. The results of operations for the three months ended September 30, 2005 and 2004 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 correctly 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 $123,281 as of September 30, 2005 and is reported in the accompanying consolidated balance sheet as derivative liabilities. Under EITF No. 00-19, this

1. Summary of significant accounting policies (continued)

RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS TO REFLECT DERIVATIVE ACCOUNTING (CONTINUED): 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 expense for the change in fair value of derivative liabilities in the consolidated statement of operations of $8,808 for the three months ended September 30, 2005 (other income of $30,398 for the three months ended September 30, 2004).

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.

Revenue recognition: Revenues for NACIO consist of dedicated Internet access fees; hosting, co-location and ESF fees; sales of third party hardware and software; fees for systems and technical integration and administration; fees for power and server connection and connectivity services.

Monthly service revenue related to Internet access, hosting, co-location and ESF is recognized over the period services are provided. Service and equipment installation revenue is recognized at completion of installation and upon commencement of services. Payments received in advance of providing services are deferred until the period such services are provided, except in the case of non-refundable payments including last-month deposits, which are recognized when service is initiated. Equipment sales and installation revenue is recognized when installation is completed.

Revenues for IHG consist of computer software compliance monitoring services and products. Service revenues related to software compliance monitoring are generally billed annually recognized ratably over the period services are provided. Software product sales are recognized when software is provided.

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Condensed Financial Statements
September 30, 2005

1. Summary of significant accounting policies (continued)

REVENUE RECOGNITION (CONTINUED): Revenues for Aqua consist of the sale of dealerships and are recognized when dealership agreements are signed.

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 6,048,177 for the three months ended September 30, 2005 (3,751,503 for the three months ended September 30, 2004). Common stock to be issued is not considered to be a common stock equivalent as the effect on net loss per common share would be dilutive.

2. Operations

The Company's operating strategies focus on the development of recreational water sports products and operating and managing its high speed Internet access and enterprise server facilities.

The Company has begun selling distributorships for its recreational water sports products and expects to begin manufacturing and selling those products in 2006.

Management of the Company believes that operations from the sale of these products will be profitable by the fourth quarter of 2006 and that the Company will recover its development costs within five years.

The Company also purchased NACIO effective April 1, 2005. Since its acquisition, management has pursued aggressive cost cutting programs and eliminated unprofitable products. Management believes these actions will enable NACIO to achieve profitable operations.

The Company is dependent upon its ability to obtain additional capital and debt financing until the Company ultimately achieve profitability, if ever.

The consolidated financial statements 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. Notes payable subject to conversion into an indeterminable number of shares of common stock

Notes payable are due one year from the issuance date of the note with interest at rates ranging from 8% to 20% 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

3. Notes payable subject to conversion into an indeterminable number of shares of common stock (continued)

ten days written notice after six months and one year 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 prices per share ranging from 70% to 90% 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 by 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 1,655,356 shares of its common stock if the principal and accrued interest of the notes were converted as of September 30, 2005.

4. Common stock

During the three months ended September 30, 2005, the Board of Directors authorized the issuance of 2,160,700 shares of common stock of the Company in exchange for accrued legal fees, management & consulting services. Management of the Company valued the shares issued at $.28 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.

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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 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.

EXECUTIVE LEVEL OVERVIEW

The Company's operating strategies focus on the development of recreational water sports products and managing its high speed Internet access and enterprise server facilities. The Company has begun selling distributorships for its recreational water sports products and expects to begin manufacturing and selling those products in 2006.

Management has also devoted substantial efforts in the operations of NACIO by pursuing aggressive cost cutting programs and eliminated unprofitable products.

Revenues for NACIO consist of dedicated Internet access fees; hosting, co-location and ESF fees; sales of third party hardware and software; fees for systems and technical integration and administration; fees for power and server connection and connectivity services. Monthly service revenue related to Internet access, hosting, co-location and ESF.

Revenues for IHG consist of computer software compliance monitoring services and products.

Revenues for Aqua to date consist of the sale of dealerships.

Nova Communications LTD presently has executive offices at 55 Leveroni Court, Novato CA. NACIO's enterprise server facilities are also located at that address. Currently, the only significant business risk of NACIO's operations is that the electricity to power the ESF is obtained from a single-source supplier, Pacific Gas & Electric. NACIO has available back-up power generators sufficient to continue to power their enterprise server facilities in the event of short-term power losses. However, if the supply of power to NACIO by Pacific Gas & Electric were delayed or curtailed, the ability of NACIO to provide services to its customers could be adversely affected.

RESULTS OF OPERATIONS

Three months ended September 30, 2005 compared to the three months ended September 30, 2004:

	Three months ended June 30:			
	2005	2004	Increase	%
Sales	$ 1,119,416	$ -	$ 1,119,416	-%

The increase in sales was attributable to the two factors: (1) the purchase of NACIO effective April 1, 2005, and (2) Aqua began selling dealerships.

	Three months ended June 30:			
	2005	2004	Increase	%
Cost of sales	$ 276,039	$ -	$ 276,039	-%

The increase in the cost of sales was attributable to the purchase of NACIO effective April 1, 2005. Cost of sales related entirely to NACIO's products.

	Three months ended June 30:			
	2005	2004	Increase	%
General and administrative expenses	$ 1,739,934	$ 305,878	$ 1,434,056	469%

The increase in selling, general & administrative expenses was attributable to two factors: the purchase of NACIO effecting April 1, 2005, and (2) the issuance of common stock for services increased $289,339.

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2005 compared to June 30, 2005:

	September 30, 2005	June 30, 2005	(decrease
Accounts receivable, net	$ 138,196	$ 401,415	$ (263,21

The decrease in accounts receivable was attributed to NACIO placing a priority in collecting accounts receivable more timely.

ITEM 3. CONTROLS AND PROCEDURES

As of September 30, 2005, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2005. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to September 30, 2005.

PART II - OTHER INFORMATION

ITEM 2. SALES OF UNREGISTERED SECURITIES AND USE OF PROCEEDS

On or about August 18, 2005, the Company issued 400,000 shares of its common stock to Barry Davis in consideration of the payment of $4,400.00.

On or about September 1, 2005, the Company issued 20,000 shares of its common stock to Philip Rodriquez upon the exercise by Mr. Rodriquez of the conversion rights under the Company's Convertible Promissory Note dated November 14, 2003 in the principal amount of $5,000. In addition to the principal of $5,000, Mr. Rodriquez converted accrued interest in the amount of approximately $608.00

ITEM 6. EXHIBITS AND REPORTS ON FORM 8K

(a) Exhibits.

Exhibit Number	Description of Document
3.1	Articles of Incorporation as Amended *
3.2	By laws *
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

* Filed by reference to a prior filing of the Registrant.

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 ___, 2006 ENCOMPASS HOLDINGS, INC.

By: /s/ ARTHUR N. ROBINS

Arthur N. Robins
Chief Executive Officer

By: /s/ LESLIE I. HANDLER

Leslie I. Handler, President and
Acting Chief Financial Officer