ENCOMPASS HOLDINGS, INC.
Form 10QSB/A
March 06, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A
Amendment No. 2

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2005

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

Commission File Number: 333-82608

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)

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 XX No ________

As of May 12, 2005, the number of outstanding shares of the issuer's common stock, $0.001 par value, was 5,096,332 shares.

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

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PART II - OTHER INFORMATION

NOVA COMMUNICATIONS LTD.

Consolidated Balance Sheets

		March 31, 2005	
Assets			
Current assets:			
Cash	$	58,981	$
Receivable from related party		115,622	
Prepaid expenses		5,000	
Total current assets		179,603	
Equipment, net		214,343	
Advances receivable		18,000	
	$	411,946	$
Liabilities and Net Capital Deficiency			
Current liabilities:			
Accounts payable	$	339,507	$
Payable to related party		69,276	
Accrued payroll and payroll related liabilities		227,689	
Income taxes payable		4,000	
Other accrued liabilities		385,941	
Convertible notes payable, net of unamortized discount due to beneficial conversion feature		361,250	
Total current liabilities		1,387,663	
Payable to related parties		493,510	
Net capital deficiency:			
Preferred stock; no par value; authorized 200,000 shares (100,000 shares in 2004); outstanding 100,000 shares		100	
Common stock; $.001 par value; authorized 500,000,000 shares; issued and outstanding 4,996,332 shares (4,981,332 shares in 2004)		4,996	
Common stock to be issued		169	
Additional paid in capital		23,223,606	
Retained deficit		(24,698,098)	
Net capital deficiency		(1,469,227)	
	$	411,946	$

See accompanying notes.
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NOVA COMMUNICATIONS LTD.

Consolidated Statements of Operations

	Three months ende	
	2005	
Revenues	$ 145,000	$
Operating expenses:		
Selling expenses	10,385	
General and administrative expenses	331,179	
Research and development expenses	3,254	
Total operating expenses	344,818	
Net loss from operations	(199,818)	
Interest expense, net	(29,160)	
Net loss from operations before provision for income taxes	(228,978)	
Provision for income taxes - State of California	800	
Net loss	$ (229,778)	$
Net loss per common share	$ (.046)	$

See accompanying notes.

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NOVA COMMUNICATIONS LTD.

Consolidated Statements of Cash Flows

	Three months ended
	2005
Cash flows from operating activities:	
Net loss	$ (229,778)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:	
Shares issued in exchange for services	-
Amortization of beneficial conversion feature	18,750
Changes in assets and liabilities:	
Receivable from related parties, net	(6,559)
Accounts payable	134,060
Accrued liabilities	193,898
	110,371
Cash flows from investing activities -	
Advances paid	-
Capital expenditures	(112,447)
	(112,447)
Cash flows from financing activities -	
Advances received from related party	57,000
Net change in cash	54,924
Cash at beginning of period	4,057
Cash at end of period	$ 58,981
Supplemental schedule of noncash financing activities:	
Common stock issued in exchange for accrued legal fees	$ 15,450
Common stock issued in exchange for accrued payroll	$ -

See accompanying notes.

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 2005

1. Summary of significant accounting policies

Business: Nova Communications Ltd. (the "Company" or "Nova") is incorporated under the laws of the State of Nevada.

Business combinations and basis of consolidation: On August 30, 2004, the Company acquired 51% of Aqua Xtremes, Inc. ("Aqua") in a business combination accounted for as a purchase. Aqua designs, manufactures, and markets water sports equipment. In December 2004, Aqua formed Xtreme Engines, Inc. ("Engines") and owns 100% of its common stock. Engines manufactures jet-powered engines for use in Aqua's water sports equipment.

The consolidated financial statements include the accounts of Nova and its 51% owned subsidiary Aqua and Aqua's 100% owned subsidiary Engines from the date of Aqua's purchase and Engines formation. All intercompany accounts and transactions have been eliminated.

Losses exceed the minority interest in the equity capital of Aqua. Accordingly, losses applicable to the minority interest are charged against Nova as there is no obligation of the minority stockholder to guarantee such losses. If future earnings of Aqua do materialize, Nova will be credited to the extent of such losses previously absorbed.

Effective May 9, 2005, Nova acquired the remaining 49% of the issued and outstanding common stock of Aqua.

Interim reporting: Nova's year-end for accounting and tax purposes is December 31. Aqua and Engines' year-end for tax purposes is June 30. In the opinion of Management, the accompanying consolidated financial statements as of March 31, 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 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 March 31, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year.

Cash equivalents: 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.

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 2005

1. Summary of significant accounting policies (continued)

Revenue recognition: Revenues consist of the sale of dealerships and are recognized when dealership agreements are signed.

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.

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 4,985,999 for the three months ended March 31, 2005 (2,891,111 for the three months ended March 31, 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 anti-dilutive.

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

Aqua has begun manufacturing and marketing revolutionary water sports equipment. One of its most notable products is the Xboard(TM), a jet-powered personal watercraft.

To date, the Company has been dependent upon advances from shareholders and debt and equity financing for development and operations. The Company will continue to be dependent upon these sources until the Company ultimately achieve profitability, if ever. However, there can be no assurances that the Company will be able to continue to receive advances from shareholders or raise additional debt or equity financing.

The consolidated financial statements as of March 31, 2005 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. 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.

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 2005

4. Equipment

Equipment consisted of the following at:

	March 31, 2005	D
Furniture and fixtures	$ 56,060	$
Equipment not yet placed in service	179,993	
	236,053	
Less accumulated depreciation	(21,710)	
	$ 214,343	$

5. Other accrued liabilities

Other accrued liabilities consisted of the following at:

	March 31, 2005	D
Professional fees	$ 358,172	$
Interest	27,769	
	$ 385,941	$

6. Convertible notes payable

The notes payable are due one year from the date of borrowings plus interest at a rate of 8% per annum and are unsecured. The notes and any unpaid interest may be convertible into shares of common stock of the Company at a rate of 75% of the closing bid price of the Company's common stock on the date of conversion. The notes may be converted at the option of the Company, but not before six months, and at the option of the holder, but not before one year, from the date of the notes and only if certain events have occurred.

Subsequent to March 31, 2005, the Company issued additional notes payable aggregating $25,000, which bear interest at a rate of 20% per annum, and convertible at into share of common stock at a rate of 85%

of the closing bid price of the Company's common stock on the date of conversion if converted within one year from the date of the note or 90% if converted after one year at the option of the Company.

7. Receivable from and payable to related party

Palaut Management, Inc. ("Palaut") provides the Company with management consulting services. For cash flow purposes, the Company occasionally pays expenses on behalf of Palaut and Palaut pays expenses on behalf of the Company. Close family members of a stockholder of Nova control Palaut. Receivables from a related party reported as a

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NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 2005

7. Receivable from and payable to related party (continued)

current asset and payables to a related party reported as a current liability are amounts owed from and to Palaut.

8. 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.

In December 2004, the Company designated all of its authorized preferred stock, consisting of 100,000 shares, as Series "A". On January 17, 2005, the Board of Directors amended the rights of its 100,000 Series "A" preferred stock to be convertible, at the option of the Company, into 1,000,000 shares of its common stock. The Company has reserved 1,000,000 shares of its common stock to be issued in the event of conversion of its Series "A" preferred stock.

Also on January 17, 2005, the Board of Directors of the Company increased the authorized preferred shares to 200,000.

On May 9, 2005, the Company designated the additional 100,000 shares of its authorized preferred stock as Series "B". The Board of Directors also determined the Series "B" preferred stock to have a par value of $0.001 per share, receive dividends in the same manner as holders of common stock, be entitled to 250 votes per share on all matters which shareholder have the right to vote, and in the event of liquidation, be entitled to be paid out of the assets of the corporation available for distribution in the same manner as holders common stock.

9. Common stock

On March 3, 2005, the Board of Directors authorized the issuance of 15,000 shares of common stock of the Company in exchange for $15,450 of accrued legal fees. Management of the Company valued the shares issued at $1.03 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.

On January 21, 2004, the Board of Directors authorized the issuance of 60,000 shares of common stock of the Company in exchange for $180,000 of accrued payroll. Management of the Company valued the shares issued at $3.00 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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NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 2005

9. Common stock (continued)

During the three months ended March 31, 2004, the Company issued an aggregate of 273,500 shares of its common stock in exchange for consulting and management services aggregating $820,500. Management of the Company valued the shares issued at $3.00 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.

10. Stock based compensation

During the three months ended March 31, 2004, the Company issued 160,000 shares of its common stock to its president and 5,000 to an employee as compensation for services aggregating $495,000. Management of the Company valued the shares issued at $3.00 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.

11. Other subsequent events

Effective May 9, 2005, Nova exchanged 100,000 shares of its Series "B" Preferred Stock and a Subordinated Convertible Non-Negotiable Promissory Note in the principal amount of $100,000 for the remaining 49% of the issued and outstanding common stock of Aqua. The promissory note will be repaid solely from its conversion into 40,000,000 shares of common stock of the Company. The Company has reserved 40,000,000 shares of its common stock to be issued upon conversion of the note.

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

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

RESULTS OF OPERATIONS
Three months ended March 31, 2005 compared to the three months ended March 31,

2004:

During the three months ended March 31, 2004, the Company was actively seeking companies in which to merge or invest as well as provide advances toward the development of water sports equipment. Since August 2004, the Company, through its subsidiaries, has devoted all of its efforts to design, manufacture, and market water sports equipment.

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Total revenues were $145,000 for the three months ended March 31, 2005 compared to no revenues for the three months ended March 31, 2004. Revenues for 2005 consisted of the sales of marketing rights for Aqua Xtremes' water sports equipment.

Selling expenses for the three months ended March 31, 2005 aggregated $10,385 compared to no selling expenses for the three months ended March 31, 2004. Selling expenses for 2005 consisted of salaries. There were no selling expenses for the three months ended March 31, 2004 because there were no marketing activities being conducted by the Company. General & administrative expense for the three months ended March 31, 2005 aggregated $331,179 compared to $1,420,254 for the three months ended March 31, 2004. The difference of $1,089,075 consisted of the following: (1) during the three months ended March 31, 2004, the Company incurred $820,500 of consulting and management expenses compared to no such expenses for the three months ended March 31, 2004, (2) during the three months ended March 31, 2004 the Company incurred $495,000 of salaries compared to only $120,000 for the three months ended March 31, 2005; and (3) operating expenses of $107,895 were incurred in the three months ended March 31, 2005 relating to Aqua Xtremes, Inc. and Xtreme Engines, Inc. that were not incurred during the three months ended March 31, 2004. The consulting and management expenses in 2004 were incurred in connection with the Company seeking other companies in which to merge or invest. Salaries expense decreased $375,000 in 2005 compared to 2004 as a result of the resignation of the then-existing President of the Company effective December 31, 2004.

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2005 compared to December 31, 2004:

The Company's total assets as of March 31, 2005 were $411,946 compared to $186,433 as of December 31, 2004. The increase of $225,513 during the quarter consisted of the following: (1) cash received from the sale of Aqua Xtreme's marketing rights aggregated $145,000 and (2) capital expenditures for equipment for Aqua Xtreme and Xtreme Engines aggregated $112,447.

The Company's current liabilities as of March 31, 2005 were $1,406,413 compared to $1,042,322 as of December 31, 2004. The increase of $364,091 during the quarter consisted of the following: (1) accounts payable increased $134,060 due to a lack of cash flow, (2) accrued professional fees increased by $239,150 during the quarter resulting from routine corporate regulatory and compliance activities. During the three months ended March 31, 2005, the Company received additional advances of $57,000 from a related party for Aqua Xtreme and Xtreme Engines cash flow purposes.

ITEM 3. CONTROLS AND PROCEDURES

As of March 31, 2005 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 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

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.

Date: March 3, 2006

ENCOMPASS HOLDINGS, INC.

By: /s/ ARTHUR N. ROBINS

Arthur N. Robins, Chief Executive Officer