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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 March 31, 2004
- [] 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

(State or other jurisdiction of
incorporation or organization)

95-4756822

(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 XX

No

As of March 31, 2004, the number of outstanding shares of the issuer's common stock, \$0.001 par value, was 304,931,468 shares.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

NOVA COMMUNICATIONS LTD.

Consolidated Balance Sheets

	March 31, 2004	
	----- (restated)	-----
Assets		
Current assets:		
Cash	\$ 986	\$
Note receivable due within one year	9,775	
Current assets of discontinued operations	51,435	
	-----	-----
Total current assets	62,196	
Equipment, net	1,278	
Equipment of discontinued operations, net	140,221	
Other assets:		
Note receivable	15,695	
Advances receivables	723,506	
Other assets of discontinued operations, net	62,811	
	-----	-----
Total other assets	802,012	
	-----	-----
	\$ 1,005,707	\$
	=====	=====
Liabilities and Net Capital Deficiency		
Current liabilities:		
Accounts payable	\$ 165,348	\$
Payable to related parties	5,477	
Accrued payroll and payroll related liabilities	301,057	
Income taxes payable	2,400	
Other accrued liabilities	33,374	
Notes payable and accrued interest subject to conversion into an indeterminable number of shares of common stock	320,149	
Derivative liabilities	167,459	
Current liabilities of discontinued operations	393,984	
	-----	-----
Total current liabilities	1,389,248	
Payable to related party	440,232	
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 304,931,468 shares in 2004 (255,081,368 shares in 2003)	304,931	
Common stock to be issued	15,000	
Additional paid in capital	20,358,821	

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Retained deficit	(21,502,525)	
	-----	-----
Net capital deficiency	(823,773)	
	-----	-----
	\$ 1,005,707	\$
	=====	=====

See accompanying notes.

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NOVA COMMUNICATIONS LTD.

Consolidated Statements of Operations

	Three months ended 2004	
	(restated)	
Revenues	\$ -	\$
Operating expenses	1,420,254	
	-----	-----
Net loss from operations	(1,420,254)	
Other income (expenses):		
Change in fair value of derivative liabilities	13,693	
Interest expense, net	(9,800)	
	-----	-----
Other income (expenses)	3,893	
	-----	-----
Net income from continuing operations before provision for income taxes	(1,416,361)	
Provision for income taxes - State of California	-	
	-----	-----
Net loss from continuing operations	(1,416,361)	
Net income from discontinued operations	-	
	-----	-----
Net loss	\$ (1,416,361)	\$
	=====	=====
Net income (loss) per common share:		
Continuing operations	\$ (.005)	\$
	=====	=====
Discontinued operations	\$ -	\$
	=====	=====

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See accompanying notes.

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NOVA COMMUNICATIONS LTD.

Consolidated Statements of Cash Flows

	Three months ended 2004	
	----- (restated)	-----
Cash flows from operating activities:		
Net loss from continuing operations	\$ (1,416,361)	\$
Adjustment to reconcile net loss to net cash used in operating activities-		
Depreciation	-	
Shares issued in exchange for services	1,315,500	
Change in fair value of derivative liabilities	(13,693)	
Changes in assets and liabilities:		
Receivables	-	
Accounts payable	(1,001)	
Accrued liabilities	99,090	
	-----	-----
	(16,465)	
Cash flows from discontinued operations	-	
Cash flows from investing activities:		
Principal repayments on notes receivable	-	
Advances paid	(210,000)	
	-----	-----
	(210,000)	
Cash flows from financing activities:		
Advances received from related party	176,000	
Net financing activities of discontinued operations	-	
	-----	-----
	176,000	
Net change in cash	(50,465)	
Cash at beginning of period	51,451	
	-----	-----
Cash at end of period	\$ 986	\$
	=====	=====
Supplemental schedule of noncash financing activities:		
Common stock issued in exchange for accrued payroll	\$ 180,000	\$
	=====	=====
Common stock issued for long-term obligations to related parties	\$ -	\$
	=====	=====

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See accompanying notes.

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NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 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 March 31, 2004 and 2003 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, 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 \$167,459 as of March 31, 2004 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 of \$13,692 for the change in fair value of derivative liabilities in the consolidated statement of operations for the three months then ended.

NOVA COMMUNICATIONS LTD.

Consolidated Notes to Financial Statements
March 31, 2004

1. Summary of significant accounting policies (continued)

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.

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.

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 289,111,138 for the three months ended March 31, 2004 (49,342,623 for the three months ended March 31, 2003). 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

1. Summary of significant accounting policies (continued)

USE OF ESTIMATES: 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 March 31, 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. 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.

4. 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 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 29,314,624 shares of its common stock if the principal and accrued interest of the notes were converted as of March 31, 2004.

5. Payable to related party

The payable to related party is due to a company related to 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.

6. 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.

7. 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.

8. 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND 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, 2004 compared to the three months ended March 31, 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 months ended March 31, 2004 has been devoted toward identifying business investment and acquisition opportunities. The Company is currently providing advances to a business opportunity.

Revenues decrease by \$7,724 for the three months ended March 31, 2004 from the three months ended March 31, 2003 because the Company has not provided management services to outside business during 2004.

Operating expenses of \$1,420,254 incurred during the three months ended March 31, 2004 increased \$1,002,723 compared to operating expenses for the three months ended March 31, 2003 primarily as a result of an increase in consulting fees of \$368,928 incurred to assist with equity financing and an increase in officer's compensation of \$657,000 authorized by the Board of Directors.

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2004 compared to December 31, 2003:

The Company's assets of \$1,005,707 as of March 31, 2004 increased by \$160,131 from those as of December 31, 2003 primarily as a result of a decrease in cash of \$50,465 and advances paid to a business opportunity of \$210,000.

Payables to related parties increased \$176,000 from December 31, 2003 to March 31, 2004 due to additional advances received during that period from related parties.

ITEM 3. CONTROLS AND PROCEDURES

As of March 31, 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

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(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
(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

