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ENCOMPASS HOLDINGS, INC.  
Form 10KSB/A  
June 26, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB/A  
Amendment No. 2

(Mark One)

- Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended June 30, 2005.
- Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .

Commission file number:333-82608  
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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 89502-2179  
-----

(Address of principal executive office) (Zip Code)

(775) 324-8531  
-----

(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, \$.001 PAR VALUE

NOVA COMMUNICATIONS LTD.  
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(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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation SB is not contained in this form and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB [ x ].

1

Issuer's revenues for its most recent fiscal year was \$ 1,316,697.

The aggregate market value of the voting common stock held by non-affiliates computed with reference to the average bid and asked price of such common equity as of September 27, 2005 was \$2,481,612 based on the average bid and ask prices on September 27, 2005.

As of June 30, 2005 , the number of outstanding shares of the issuer's common stock, \$0.001 par value was 5,351,332 shares.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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

TABLE OF CONTENTS

PART I

ITEM 1.	DESCRIPTION OF BUSINESS.....	4
ITEM 2.	DESCRIPTION OF PROPERTY.....	5
ITEM 3.	LEGAL PROCEEDINGS.....	5
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	6

PART II

ITEM 5.	MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES.....	6
ITEM 6.	MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS.....	8
ITEM 7.	FINANCIAL STATEMENTS.....	11
ITEM 8.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES.....	11
ITEM 8A	CONTROLS AND PROCEDURES.....	11

PART III

ITEM 9.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.....	11
ITEM 10.	EXECUTIVE COMPENSATION.....	12
ITEM 11.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS & MANAGEMENT AND RELATED STOCKHOLDER MATTERS.....	13
ITEM 12.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....	13
ITEM 13.	EXHIBITS.....	14
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES.....	14
	SIGNATURES.....	16
	INDEX TO EXHIBITS.....	17
	FINANCIAL STATEMENTS.....	F-1

PART I

ITEM 1. DESCRIPTION OF BUSINESS

OVERVIEW

We are in the business of acquiring ownership interests in developing companies in a wide range of industries and providing financing and managerial assistance to those companies. We seek to invest in companies that, in our opinion, have the reasonable potential for growth. Our objective is to achieve long-term growth. At the current time, we have two wholly-owned subsidiaries, Aqua Xtremes, Inc. which is in the business of manufacturing and marketing a personal watercraft and the rotary engine that drives the jet pump that propels the watercraft; and Nacio Systems, Inc., which is in the business of providing centralized information technology solutions to corporate clients.

All references to our business include Nova Communications Ltd. and all of our subsidiaries, on a consolidated basis.

BUSINESS STRATEGY

AQUA XTREMES, INC./ XTREME ENGINES, INC.

Aqua Xtremes, Inc., a Nevada corporation, is the designer, manufacturer, and marketing company for revolutionary water sports equipment. One of its most notable products is the XBoard(TM) a jet-powered personal watercraft that redefines extreme water sports. XBoards(TM) allow riders of all skill levels the ultimate experience and exhilaration of riding a personal watercraft. The XBoard(TM) design team has created a revolutionary watercraft that combines an innovative hull design and a powerful EPA conforming rotary engine. Aqua Xtremes is currently recruiting distributors and dealers.

Xtreme Engines, Inc., a wholly-owned subsidiary of Aqua Xtremes, Inc., is refining the rotary engine to bring it into full compliance with today's EPA standards, while at the same time creating an engine that will utilize a variety of alternative fuels. The engine has been designed to power the Xboard(TM). It will also be sold separately to different manufacturers which will utilize it in the areas of water, sea and air applications, including co-generation.

NACIO SYSTEMS, INC.

Nacio Systems, Inc., a Nevada corporation, provides centralized information technology solutions to corporate clients, supporting their business operations with applications such as e-commerce, content management, software auditing and customer relationship management (CRM). Companies need no longer install, maintain and support complex IT applications; Nacio Systems, Inc. hosts, manages and delivers mission critical IT infrastructure from its secure, high-availability Tier 1 network/data operating center in Northern

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California--reducing costs, mitigating risk, compressing deployment times and increasing reliability.

Nacio Systems, Inc.'s Professional Services and Application Development groups provide customization services to ensure that the applications Nacio delivers are tailored to specific business needs and are successfully deployed across the customer's enterprise. In the face of increasing costs and the complexities of today's corporate applications, Nacio Systems's hosted application services helps companies stay focused on their core business by providing them cost-effective, low-maintenance ways to update their websites, manage their data and documents, leverage rapid application development and increase operational efficiency.

Interactive Holding Group, Inc., a wholly-owned subsidiary of Nacio Systems, Inc. sells forensic software under the name "ATTEST Systems." Attest Systems has developed GASP, a software product that enables companies to discover the software and hardware assets deployed across their enterprise. Using GASP, companies can remotely audit every computer on the corporate network, and, using GASP's extensive reporting capabilities, compare the results against their owned licenses. This allows companies to control software license and maintenance costs, stay compliant with software license terms, inventory for disaster recovery planning and make informed IT purchasing decisions. Attest expects to release a new version of GASP, GASP V7.0 in the 3rd quarter of 2005.

### ITEM 2. DESCRIPTION OF PROPERTY

Our principal executive and administrative offices are located at 1005 Terminal Way, Suite 110, Reno, Nevada. We have contracted with Nacio Systems, Inc. to have it provide services such as computing power, website maintenance and other professional services on an as-needed basis. This arrangement has allowed both companies to minimize overhead expenses and has enabled their respective executives and consultants access, in real time, to the engineering and administrative data that they require to carry out their respective responsibilities.

### ITEM 3. LEGAL PROCEEDINGS

We are a party to the following pending legal proceedings:

- o Nova Communications Ltd. and Arthur Robins v. Powerski International, Robert E. Montgomery, and Does 1-10, Case # OSCC)4761 pending in the California Superior Court, County of Orange. The complaint alleges breach of contract, fraud and false advertising in connection sums advanced to Powerski. The complaint seeks rescission of contract and the return of \$916,000 advanced by Nova to Powerski; return of \$96,000 advanced by Robins; interest on the advances; punitive damages; costs; and attorney fees.
- o Nacio Systems, Inc. v. Nacio Investment Group, LLC ("NIG"); Frank Ehret; David Lyons; and Does 1-10; NIG v. Nacio Systems, Inc., a California corporation and Nacio Systems, Inc., a Nevada corporation; and Nova Communications Ltd. Case # CV 052533 pending in the California Superior

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Court, County of Marin. Relief sought in cross-complaint against Nova Communications Ltd . involves rescission of any transaction by which Nova acquires or acquired any assets from Nacio Systems, Inc. and recovery of any proceeds from the disposition of those assets. NIG alleges that Nova has engaged in a fraudulent conveyance with Nacio Systems, Inc.in violation of California Civil Code 3439.04. NIG claims it is entitled to rescission of the conveyance and recovery of any proceeds received by Nova from any disposition of those assets.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matters to a vote of our security holders during the fourth quarter of the fiscal year covered by this report.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

#### MARKET INFORMATION

Our common stock is quoted on the OTC Bulletin Board. The following table sets forth the range of high and low bid prices during each quarter for the year ended December 31, 2004 and for the six-months ended June 30, 2005, our new fiscal year end. The over-the-counter market quotations may reflect inter-dealer prices, without retail market-up, markdown or commission and may not represent actual transactions. The market information was obtained from Allstock.com (BigCharts) and from Standard & Poors Comstock.

	LOW	HIGH
Q1-2004	\$ 0.02	\$ 0.05
Q2-2004	0.03	0.04
Q3-2004	0.02	0.03
Q4-2004	0.01	0.03
Q 1-2005	\$ 0.01	\$ 0.01
Q 2-2005	0.50	3.35
Q 3-2005	*	*
Q 4-2005	1.15	0.46

\* During this period, our common stock was not quoted on the OTC Bulletin Board. Quotations were posted only at PinkSheets.Com for which no historical quotations are available.

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### RECORD HOLDERS

We have only one class of common stock. As of June 30, 2005 there were 1,052 shareholders of record for our common stock and a total of 5,351,332 shares of common stock issued and outstanding.

The holders of common stock are entitled to one vote per share of common stock on all matters to be voted on by the stockholders. There are no cumulative voting rights. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, as may be declared by the board of directors out of funds legally available for dividends. In the event of a liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in the net assets remaining after payment in full of all liabilities, subject to the prior rights of preferred stock, if any, then outstanding. There are no redemption or sinking fund provisions applicable to the common stock.

### DIVIDENDS

The Company has never paid cash dividends on its common stock. The declaration and payment of dividends is within the discretion of the Company's board of directors and will depend, among other factors, on earnings and debt service requirements as well as the operating and financial condition of the Company. At the present time, the Company's anticipated working capital requirements are such that it intends to follow a policy of retaining earnings in order to finance the development of its business. Accordingly, the Company does not expect to pay a cash dividend within the foreseeable future.

### RECENT SALES OF UNREGISTERED SECURITIES

The following is a description of unregistered securities sold within the last three years including the date sold, the title of the securities, the amount sold, the identity of the person who purchased the securities, the price or other consideration paid for the securities, and the section of the Securities Act of 1933 under which the sale was exempt from registration as well as the factual basis for claiming such exemption.

In April and June 2005, we issued an aggregate of 340,000 shares of common stock to three individuals. Of that amount, 240,000 were issued in connection with the conversion of certain non-negotiable convertible promissory notes in the principal amount of \$100,000. Each of the notes allowed the holder to convert all or any portion of the principal amount and accrued interest into our common stock based upon a conversion price of 70% of the closing bid price on the date of conversion.

In April and May 2005, we issued non-negotiable convertible promissory notes in the aggregate principal amount of \$35,000. Each note carried interest at 20% per annum. The principal amount of each note, plus accrued interest, is convertible into our common stock at a conversion price ranging between 85% to 90% of the closing bid price on the date of conversion, depending on

the length of time the notes have been outstanding. At this time, none of the holder of these notes have exercised their respective conversion rights.

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Between January 1, 2004 and October 29, 2004, we issued an aggregate of \$260,000 of non-negotiable convertible promissory notes to a select group of seven investors. Each note carried interest at 10% per annum. The principal amount of each note, plus accrued interest, is convertible into our common stock at a conversion price of 70% of the closing bid price on the date of conversion, depending on the length of time the notes have been outstanding. At this time, none of the holder of these notes have exercised their respective conversion rights.

During fiscal year ended December 31, 2004, we issued 32,000,000 shares of our common stock to our then current President and CEO, Kenneth D. Owen as long term compensation.

Pursuant to a Stock Exchange Agreement with Seven Angels Ventures LLC ("SAV") dated October 20, 2003, we agreed to issue 3,300,000 shares of our common stock to SAV in exchange for the issuance to us of 133,000 shares of common stock of Epic Financial Corp. held by SAV.

Between August 20, 2003 and December 29, 2003, we issued an aggregate of \$490,000 of Convertible Promissory Notes to a select group of investors totaling 19 persons.

On December 2, 2003, we issued 4,000,000 shares of our common stock to Kenneth D. Owen, our then current President and CEO.

Each of these transactions was considered exempt from the registration requirements of the Securities Act of 1933 in reliance upon the exemptions at Section 4(2) and/or 4(6) of said Act. Each transaction was privately negotiated with sophisticated persons with whom we had an existing business or personal relationship, without the use of advertising or general solicitation.

### ITEM 6. 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.



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

Revenues for Nacio Systems, Inc. consist of dedicated Internet access fees; hosting, co-location and enterprise service facility 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 enterprise service facility.

Revenues for Interactive Holding Group, Inc. consist of computer software compliance monitoring services and products.

Revenues for Aqua Xtremes, Inc. to date consist of the sale of dealerships.

We presently have executive offices at 1005 Terminal Way, Suite 110, Reno, Nevada 89502-2179 Nacio Systems, Inc.'s enterprise server facilities are also located at that address. Currently, the only significant business risk of Nacio Systems, Inc.'s operations is that the electricity to power the enterprise service facility is obtained from a single-source supplier, Pacific Gas & Electric. Nacio Systems, Inc. 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 Systems, Inc. by Pacific Gas & Electric were delayed or curtailed, the ability of Nacio Systems, Inc. to provide services to its customers could be adversely affected.

RESULTS OF OPERATIONS

Year ended June 30, 2005 compared to the Year ended June 30, 2004:

Years ended June 30: 2005 2004 Increase % Sales \$ 1,316,697 \$ - \$ 1,316,697 100%  
 =====

The increase in sales during the year ended June 30, 2005 over 2004 was attributable to the two factors: (1) the purchase of all of the operating assets and liabilities of Nacio Systems, Inc., a California corporation effective April 1, 2005, and (2) Aqua Xtremes began selling dealerships. Sales as a result of the purchase of the Nacio Systems, Inc. assets effective as of April 1, 2005 aggregated \$977,478; sales attributable to Interactive Holding Group, Inc., purchased with Nacio Systems, Inc. aggregated \$129,179; and sales of dealerships by Aqua Xtremes, Inc. aggregated \$210,040.

	Years ended June 30:			
	2005	2004	Increase	%
Cost of sales	\$ 299,013	\$ -	\$ 299,013	100%
	=====	=====	=====	===

The increase in the cost of sales during the year ended June 30, 2005 over 2004 was also attributable to the purchase of Nacio effective April 1, 2005. Cost of sales related entirely to Nacio's products.

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	2005	2004	Increase
Selling, general and administrative costs:			
Aqua Xtreme, Inc. and Nova Communications Ltd.	\$ 4,261,365	\$ 3,728,085	\$ 533,280
Nacio Systems, Inc.	1,135,459	-	1,135,459
Interactive Holding Group, Inc.	208,965	-	208,965
	-----	-----	-----
	\$ 5,605,789	\$ 3,728,085	\$ 1,877,704
	=====	=====	=====

The increase in selling, general & administrative expenses of Nova consisted primarily of the write-off of advances during the year ended June 30, 2005 aggregating \$723,506. The increase in selling, general & administrative expenses of Nacio Systems, Inc. & Interactive Holding Group, Inc. resulted from their acquisition effective April 1, 2005.

	Years ended June 30:		Increase
	2005	2004	
Research & development expenses	\$ 744,677	\$ -	\$ 744,677
	=====	=====	=====

Research & development expenses related entirely to the development of the Aqua Xtreme, Inc.'s recreational water sports products. The Company began developing those products in August 2004.

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2005 compared to June 30, 2004:

	June 30:		Increase (decrease)
	2005	2004	
Total assets:			
Aqua Xtreme, Inc. and Nova Communications Ltd.	\$ 401,114	\$ 981,506	\$ (580,392)
Nacio Systems, Inc.	10,763,652	-	10,763,652
Interactive Holding Group, Inc.	342,063	-	342,063
	-----	-----	-----
	\$ 11,506,829	\$ 981,506	\$ 10,525,323
	=====	=====	=====

The Company's change in assets consist of the following. Effective December 31, 2004, the Company divested the common stock of Kadfield resulting in the disposal of an aggregate of \$254,467. In August 2004, the Company ceased advancing an outside company funds to develop recreational water sports products and wrote-off an aggregate of \$723,506. The increase in assets of Nacio & IHG resulted from their acquisition effective April 1, 2005.

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Our consolidated, audited, condensed financial statements including a balance sheet as of the fiscal year ended June 30, 2005 and audited statements of income, cash flows and changes in shareholders' equity up to the date of such balance sheet and the comparable period of the preceding year are attached hereto as Pages F-1 through F-11 and are incorporated herein by this reference.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

In its two most recent fiscal years or any later interim period, we have had no disagreements with our certifying accountants on accounting and financial disclosures.

### ITEM 8A. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, within the ninety days prior to the filing date of this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our President and Chief Executive Officer. Based upon that evaluation, we concluded that our disclosure controls and procedures are effective. There have been no significant changes in our internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reporting, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We acquired the assets and assumed the liabilities of Nacio Systems, Inc., a California corporation, through our subsidiary Nacio Systems, Inc., a Nevada corporation. The acquisition was effective as of April 1, 2005. We excluded Nacio Systems, Inc., the California corporation, from our assessment and evaluation of the effectiveness of our disclosure controls and procedures because we did not have sufficient time to make such an assessment and evaluation as it applies to that corporation.

## PART III

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following persons constitute all of the Company's Executive Officers and Directors:

NAME	AGE	POSITION
Leslie I. Handler	67	President, Acting Chief Financial Officer, Director
Arthur N. Robins	54	Chief Executive Officer, Director
James F. Abel, III	44	Corporate Secretary, Director
Greg K. Hoggatt	48	Director

Leslie I. Handler has been a director since August 1991 and has served as Corporate Secretary. From 1988 to 1992, Mr. Handler was president of Far West Commercial Finance, a subsidiary of Far West Federal Bank, Portland, Oregon.

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Since 1993, Mr. Handler has been a consultant to the banking industry.

Arthur N. Robins has been retired since 2000. He came out of retirement to become Chief Executive Officer. Prior to his retirement, Mr. Robins was Chief Executive Officer of Fastrap, Inc., a manufacturer of trailer tops for the transportation industry.

James F. Abel, III was the President of The Hines Group, Inc. a precision custom metal stamping company with headquarters in Queensboro, Kentucky. Mr. Abel is now retired.

Greg K. Hoggatt is a captain for Delta Airlines and resides in Pensacola, Florida.

The Company's Bylaws currently authorize up to seven directors. Each director is elected for one year at the annual meeting of stockholders and serves until the next annual meeting or until a successor is duly elected and qualified. Executive officers serve at the discretion of our board of directors. There are no family relationships among any of the directors and executive officers.

### CODE OF ETHICS.

Effective January 1, 2004, the Board of Directors adopted a Code of Ethics for Senior Financial Officers. The Code of Ethics was adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities and Exchange Commission thereunder. A copy of the Code of Ethics will be made available upon request at no charge. Requests should be directed in writing to the Company at 1005 Terminal Way, Suite 110, Reno, Nevada 89502-2179.

### ITEM 10. EXECUTIVE COMPENSATION

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION	LONG TERM COMPENSATION
Arthur N. Robins CEO	2005	\$120,000 (a)	-0-

(a) Mr. Robins' annual compensation is unpaid at this time and is being accrued.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS & MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth, as of June 30, 2005, the number and

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percentage of outstanding shares of common stock which, according to the information supplied to us, were beneficially owned by (i) each current director, (ii) each current executive officer, (iii) all current directors and executive officers as a group, and (iv) each person who, to our knowledge, is the beneficial owner of more than 5% of our outstanding common stock. Except as otherwise indicated, the persons named in the table below have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws (where applicable).

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common Stock	Leslie I. Handler 382 Running Springs Dr. Palm Desert, CA 92276	-0-	0%
Common Stock	Arthur N. Robins 362 Gulf Breeze Pkwy, #139 Gulf Breeze, FL 32561	2,000	*
Common Stock	James F. Abel, III 3 Hilltop Rd. Owensboro, KY 42303	-0-	0%
Common Stock	Greg K. Hoggatt 333 Panferio Dr. Pensacola, FL 32561	-0-	0%
Common Stock (all officers and directors as a group-4 persons)		2,000	*

\* Less than one percent

(a) Mr. Handler's holdings do not include 31,319 shares held by Mr. Handler's wife, as to which he has neither voting nor investment control and for which he disclaims beneficial ownership.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Effective May 9, 2005, we acquired the remaining 49% of the issued and outstanding common stock of AquaXtremes, Inc., which we did not own, resulting in the latter becoming our wholly-owned subsidiary. The shares were acquired from Arthur N. Robins, our Chief Executive Officer and a director. In consideration of the transfer by Mr. Robins, we issued to Mr. Robins 100,000 shares of our Series "B" Preferred Stock, which constituted the majority voting power of the registrant. In addition, we issued to Mr. Robins a Subordinated Convertible Non-Negotiable Promissory Note in the principal amount of \$100,000. The principal and interest balance of the Note will be repaid solely from the conversion of the Note into 40,000,000 shares of common stock.

13

### ITEM 13. EXHIBITS

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits and are incorporated herein by this reference.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table discloses the aggregate fees billed for each of the last two years for audit services rendered by our Principal Accountant for the audit of our of our annual financial statements and review of financial statements included in our Form 10QSB reports.

	12/31/04	6/30/05
	-----	-----
Audit fees billed	\$34,151	\$35,032

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Table of Contents  
Years ended June 30, 2005 and 2004

	Page
Report of Independent Registered Public Accounting Firm.....	F-2
Consolidated Financial Statements:	
Balance sheets.....	F-3 - F-4
Statements of operations.....	F-5
Statements of comprehensive loss.....	F-6
Statements of stockholders' equity (deficit).....	F-7 - F-8
Statements of cash flows.....	F-9
Notes to consolidated financial statements.....	F-10 - F27

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, this 26th day of June, 2006.

ENCOMPASS HOLDINGS, INC.

By: /s/ LESLIE I. HANDLER  
President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ LESLIE I. HANDLER Leslie I. Handler	President; Director	June 26, 2006
/s/ ARTHUR N. ROBINS Arthur N. Robins	Chief Executive Officer; Director	June 26, 2006
/s/ JAMES F. ABEL, III James F. Abel, III	Corporate Secretary; Director	June 26, 2006
/s/ GREG K. HOGGATT Greg K. Hoggatt	Director	June 26, 2006



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EXHIBIT NO.		DESCRIPTION
		PLAN OF REORGANIZATION
2.1	*	Articles and Agreement of Merger dated July 21, 1999
		ARTICLES OF INCORPORATION AND BY-LAWS
3(i)	*	Articles of Incorporation of First Colonial Ventures Ltd. dated March 25, 1985.
3(ii)	*	Certificate of Amendment of First Colonial Ventures Ltd. dated August 12, 1985.
3(iii)	*	Certificate of Amendment of First Colonial Ventures Ltd. dated September 3, 1985.
3(iv)	*	Certificate of Amendment of First Colonial Ventures Ltd. dated February 3, 1992.
3(v)	*	Articles of Incorporation of Nova Communications Ltd. dated July 21, 1999.
3(vi)	*	Bylaws
21	*	SUBSIDIARIES
		CERTIFICATIONS
31.1		Rule 15d-14(a) certifications
31.2		Rule 15d-14(a) certifications
32.1		Section 1350 certifications
32.2		Section 1350 certifications
*		Incorporated herein by reference from filings previously made by the Company

NOVA COMMUNICATIONS LTD.

Table of Contents  
Years ended June 30, 2005 and 2004

	Page
Report of Independent Registered Public Accounting Firm.....	F-2
Consolidated Financial Statements:	
Balance sheets.....	F-3 - F-4
Statements of operations.....	F-5
Statements of comprehensive loss.....	F-6
Statements of stockholders' equity (deficit).....	F-7 - F-8
Statements of cash flows.....	F-9
Notes to consolidated financial statements.....	F-10 - F27

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F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders  
Nova Communications Ltd.

We have audited the accompanying consolidated balance sheets of Nova Communications Ltd. as of June 30, 2005 and 2004, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the two years in the period ended June 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2005 and 2004 and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2005, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company's significant operating losses and working capital deficit raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 7, the consolidated financial statements have been restated as of and for the years ended June 30, 2005 and 2004 to reflect certain derivative instruments as liabilities at fair value, to recognize the conversion of notes payable into common stock measured at fair value, and to recognize the change in fair value of derivative liabilities.

/s/ TIMOTHY L. STEERS, CPA, LLC

August 19, 2005, except with respect to Note 7  
as to which the date is April 10, 2006  
Portland, Oregon

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F-2

NOVA COMMUNICATIONS LTD.

Balance Sheets

	June 30	
	-----	-----
	2005	
	-----	-----
	(restated)	
ASSETS		
-----		
Current assets:		
Cash	\$ 46,296	\$
Accounts receivable, less allowance for uncollectible accounts of \$140,025	401,415	
Other receivables	27,570	
Receivable from related party	67,603	
Inventories	44,020	
Note receivable due within one year	10,919	
Prepaid expenses	326,344	
Current assets of discontinued operations, net	-	
	-----	-----
Total current assets	924,167	
Property & equipment:		
Equipment	7,201,198	
Furniture	229,872	
Website	48,577	
Leasehold improvements	7,142,345	
	-----	-----
	14,621,992	
Less accumulated depreciation & amortization	(4,514,441)	
	-----	-----
Net property & equipment	10,107,551	
Equipment of discontinued operations, net	-	
Other assets:		
Note receivable	147,036	
Advances receivable	-	
Patents & trademarks	3,000	
Deposits & other	325,075	
Other assets of discontinued operations, net	-	
	-----	-----
Total other assets	475,111	
	-----	-----
	\$ 11,506,829	\$
	=====	=====

(continued on next page.)

F-3

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NOVA COMMUNICATIONS LTD.

Balance Sheets (continued)

	June 30	
	2005	
	(restated)	
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
Current liabilities:		
Accounts payable	\$ 1,185,731	\$
Accrued payroll & payroll related liabilities	171,571	
Income taxes payable	3,200	
Accrued interest	182,941	
Other accrued liabilities	541,857	
Unearned revenue	521,027	
Notes payable accrued interest subject to conversion into an indeterminable number of shares of common stock	163,459	
Derivative liabilities	117,749	
Long-term debt due within one year	1,828,257	
Long-term debt to related parties due within one year	30,000	
Current liabilities of discontinued operations	-	
Total current liabilities	<u>4,745,792</u>	
Payable to related party	-	
Long-term debt to related parties	241,152	
Long-term debt	2,369,694	
Stockholders' equity (deficit):		
Preferred stock; \$.001 par value; authorized 200,000 shares:		
Series A - 100,000 shares designated, issued and outstanding	100	
Series B - 100,000 shares designated, issued and outstanding	100	
Common stock; \$.001 par value; authorized 500,000,000 shares; outstanding 6,001,332 shares in 2005 (3,439,815 shares in 2004)	6,001	
Common stock to be issued	8,703,927	
Convertible promissory note and accrued interest	101,140	
Additional paid-in capital	22,809,499	
Retained deficit	(27,470,576)	
Total stockholders' equity (deficit)	<u>4,150,191</u>	
	<u>\$ 11,506,829</u>	<u>\$</u>

See accompanying notes.

F-4

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NOVA COMMUNICATIONS LTD.

Consolidated Statements of Operations

	Years ended Jun	
	2005	
	(restated)	
Sales	\$ 1,316,697	\$
Cost of sales	299,013	
Gross profit	1,017,684	
Other operating income	-	
Operating expenses:		
Selling, general & administrative	5,605,789	
Research & development	744,677	
Total operating expenses	6,350,466	
Net operating loss	(5,332,782)	
Other expenses:		
Loss on available-for-sale investments	-	
Change in fair value of derivative liabilities	1,951	
Interest expense	(201,176)	
Total other expenses	(199,225)	
Net loss before provision for income taxes	(5,532,007)	
Provision for income taxes	(2,400)	
Net loss from continuing operations	(5,534,407)	
Discontinued operations:		
Net gain (loss) on disposal, net of benefit for income taxes	139,517	
Net loss, net of benefit for income taxes	-	
Net income (loss) from discontinued operations	139,517	
Net loss	\$ (5,394,890)	\$
Net income (loss) per common share:		
Continuing operations	\$ (1.27)	\$
Discontinued operations	\$ .03	\$

See accompanying notes.

NOVA COMMUNICATIONS LTD.

Consolidated Statements of Comprehensive Loss

	Years ended Jun	
	2005	2004
	(restated)	
Net loss	\$ (5,394,890)	\$
Realized loss on available-for-sale investments	-	
Comprehensive loss	\$ (5,394,890)	\$
Comprehensive loss per common share	\$ (1.24)	\$

See accompanying notes.

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NOVA COMMUNICATIONS LTD.

Consolidated Statements of Stockholders' Equity (Deficit)  
July 1, 2003 through June 30, 2004 (restated)

	Preferred stock		Common stock		Common stock to be issued	Convertible promissory note and accrued interest	Additional paid-in capital	Retained earnings
	Shares	Amount	Shares	Amount				
Balance at July 1, 2003	-	\$ -	2,957,314	\$2,957	\$ -	\$ -	\$ 16,979,504	\$ (1,000,000)
Common stock to be issued in exchange for long-term debt and interest	-	-	-	-	-	-	-	-
Common stock issued in exchange for accrued payroll	-	-	45,000	45	-	-	89,555	-
Common stock issued in exchange for services	-	-	437,501	438	-	-	3,532,926	-
Comprehensive loss	-	-	-	-	-	-	-	-
Balance at June 30, 2004	-	-	3,439,815	3,440	753,927	-	20,749,385	(2,000,000)

See accompanying notes.  
F-7

NOVA COMMUNICATIONS LTD.

Consolidated Statements of Stockholders' Equity (Deficit)



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July 1, 2004 through June 30, 2005 (restated)

	Preferred stock		Common stock		Common stock to be issued	Convertible promissory note and accrued interest	Additional paid-in capital	R d
	Shares	Amount	Shares	Amount				
Balance at July 1, 2004	-	-	3,439,815	\$3,440	753,927	\$ -	\$20,602,385	(2)
Common stock issued	-	-	50,000	50	(50,000)	-	49,950	
Common stock issued for cash	-	-	68,965	69	-	-	49,931	
Common stock issued upon conversion of notes payable & accrued interest	-	-	1,110,000	1,110	-	-	587,090	
Common stock issued in exchange for accrued payroll	-	-	60,000	60	-	-	179,940	
Common stock issued in exchange for services	-	-	1,272,552	1,272	-	-	977,002	
Series "A" Preferred stock issued in exchange for payable to related party	100,000	100	-	-	-	-	363,051	
Common stock to be issued in exchange for subsidiary	-	-	-	-	8,000,000	-	-	
Series "B" Preferred stock & convertible promissory note in exchange for subsidiary	100,000	100	-	-	-	100,000	150	
Accrued interest on convertible promissory note	-	-	-	-	-	1,140	-	
Comprehensive loss	-	-	-	-	-	-	-	(
Balance at June 30, 2005	200,000	\$200	6,001,332	\$6,001	\$8,703,927	\$101,140	\$20,602,385	\$(2)

See accompanying notes.

F-8

NOVA COMMUNICATIONS LTD.

Consolidated Statements of Cash Flows

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	Years ended Jun	
	----- 2005 ----- (restated)	-----
Cash flows from operating activities:		
Net loss from continuing operations	\$ (5,534,407)	\$
Adjustments to reconcile net loss to net cash provide by operating activities:		
Depreciation & amortization	330,407	
Provision for uncollectible advances receivable	737,590	
Common stock issued for services & compensation	978,274	
Unearned revenue	13,604	
Write-off of excess purchase price of subsidiaries	2,896,666	
Change in fair value of derivative liabilities	(1,951)	
Loss on available-for-sale investments	-	
Changes in assets and liabilities, net of purchase of subsidiaries:		
Accounts receivable	78,616	
Inventories	12,144	
Prepaid expenses	(88,073)	
Deposits & other assets	(408)	
Accounts payable	104,637	
Accrued liabilities	618,018	
	-----	-----
	145,117	
Cash flows from discontinued operations	-	
Cash flows from investing activities:		
Principal repayments on notes receivable	-	
Advances paid on behalf of related parties	(67,603)	
Advances paid	-	
Purchase of subsidiaries, net of cash acquired	8,136	
Capital expenditures	(439,761)	
Patents & trademarks expenditures	(3,000)	
	-----	-----
	(502,228)	
Cash flows from financing activities:		
Borrowings under convertible notes payable	295,000	
Borrowings under notes payable to related parties	106,152	
Net financing activities of discontinued operations	-	
	-----	-----
	401,152	
Net increase in cash	44,041	
Cash at beginning of year	2,255	
	-----	-----
Cash at end of year	\$ 46,296	\$
	=====	=====

See accompanying notes.

F-9

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

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1. Business and 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: The 2005 consolidated 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. The 2004 consolidated financial statements include the accounts of Nova and Kadfield, Inc. 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. Aqua is developing recreational water sports products.

In December 2004, Aqua formed Xtreme Engines, Inc. ("Engines") and owns 100% of its common stock. Engine' is developing a marine engine for use in recreational water sports products.

Effective April 1, 2005, the Company acquired 100% of NACIO Systems, Inc. ("NACIO"). NACIO is an integrated communications provider ("ICP") of high speed Internet access to businesses and provides enterprise server facilities ("ESF"), offering a fully serviced managed server program. Its' customers are generally business customers located throughout the United States. NACIO owns 100% of Interactive Holding Group, Inc. ("IHG"). IHG provides computer software compliance monitoring services and products.

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

CASH AND CASH CONCENTRATIONS: 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.

The Company deposits their cash in financial institutions. At various times throughout the year, cash held in these accounts exceeded Federal Deposit Insurance Corporation limits. The Company has not experienced any losses as a result of these cash concentrations.

F-10

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

1. Business and summary of significant accounting policies (continued)

INVENTORIES: Inventories consist of computer server hardware, software and software service agreements purchased for resale. Inventories are reported at the lower of cost (using the specific identification method) or market.

PROPERTY & EQUIPMENT: Property & equipment are carried at cost.

Equipment & furniture is depreciated using the straight-line method over the estimated useful lives of the depreciable assets, which range from five to fifteen years. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the lease or the estimated useful lives of the assets, which range from five to fifteen years. Website development costs are amortized using the straight-line method over the estimated useful life of five years.

The Company accounts for website development costs under Emerging Issues Task Force ("EITF") Issue No. 00-2, "Accounting for Web Site Development Costs". Under EITF 00-2, costs that involve design of the web page that do not change the content are capitalized and amortized over the estimated useful life. The Company accounts for costs incurred in operating their website under the American Institute of Certified Public Accountants Statement of Position ("SOP") No. 98-1, "Accounting for the Cost of Computer Software Developed for Internal Use". Under SOP 98-1, costs that have a future benefit are capitalized and amortized over the estimated future periods that are expected to benefit from website changes. Costs incurred in operating the web site that have no future benefits are expensed in the current period.

Computer software obtained or developed for internal use is also capitalized in accordance with SOP 98-1. Amortization is computed using the straight-line method over the estimated useful lives of the software, which range from three to five years.

IMPAIRMENT OF LONG-LIVED ASSETS: The Company assesses the recoverability of long-lived assets by determining whether the depreciation and amortization of the asset's balance over its remaining life can be recovered through projected undiscounted future cash flows. The amount of impairment, if any, is measured based on fair value and charged to operations in the period in which the impairment is determined by management.

DEBT DISCOUNT: The Company accretes the discount on their convertible notes payable using the effective interest method over the period from issuance of the notes until repayment or conversion, which ever is shorter.

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

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Notes to Consolidated Financial Statement  
June 30, 2005

1. Business and summary of significant accounting policies (continued)  
-----

DERIVATIVE INSTRUMENTS (CONTINUED): 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.

Derivative liabilities were valued using the Black-Scholes Option Pricing Model with the following assumptions during the year ended June 30, 2005: dividend yield of 0%; average annual volatility of 172.77%; and average risk free interest rate of 3.45% (dividend yield of 0%; average annual volatility of 178.70%; and average risk free interest rate of 2.09% for 2004).

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.

Revenues for Aqua consist of the sale of dealerships and are recognized when dealership agreements are signed.

ADVERTISING: The Company expenses advertising costs as they are incurred.

SHARE-BASED PAYMENTS: The Company uses a fair value based method of accounting for share-based payments under Financial Accounting Statement ("SFAS") No. 123R "Share-Based Payment, an amendment of FASB Statements Nos. 123 and 95". Under SFAS 123R, share-based payment transactions in which the Company receives services from employees and non-employees, in exchange

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NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

1. Business and summary of significant accounting policies (continued)

-----

SHARE-BASED PAYMENTS (CONTINUED): for either equity instruments of the Company or liabilities that may be settled by the issuance of such equity instruments, are valued at the fair value of the Company's equity instruments and expensed in the consolidated statement of operations at the time of issuance.

REPORTING COMPREHENSIVE INCOME: The Company reports and displays comprehensive income and its components as separate amounts in the consolidated financial statements. Comprehensive income includes all changes in equity during a period that results from recognized transactions and other economic events other than transactions with owners.

INCOME TAXES: Income taxes are provided for on the liability method whereby deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases and reported amounts of assets and liabilities. Deferred tax assets and liabilities are computed using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. The Company provides a valuation allowance for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future 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 4,341,266 for the year ended June 30, 2005 (3,198,564 for 2004). Convertible notes payable and common stock to be issued are not considered to be common stock equivalents as the effect on net loss per common share would be anti-dilutive.

SEGMENT REPORTING: The Company reports information about operating segments and related disclosures about products and services and major customers in accordance with SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". The Company views its operations and manages its business in principally three segments: (1) the development of recreational water sports products; (2) the provider of high speed Internet access and enterprise server facilities; and (3) the provider of computer software compliance monitoring services.

SIGNIFICANT RISKS AND UNCERTAINTIES: 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. 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.

F-13

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

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 had been providing funding to a company that was developing recreational water sports products and had advanced this company approximately \$723,500 through August 30, 2004. On that date, the Company ceased providing funding to this company because they had failed to achieve certain development benchmarks and began directly developing similar recreational water sports products. The Company wrote-off its advances receivable to this company as management deemed it uncollectible.

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. Business combinations  
-----

On August 30, 2004, the Company acquired 51% of Aqua in a business combination accounted for as a purchase. Aqua was dormant at the time of acquisition and had no assets or liabilities. The Company paid \$1,750 for Aqua which was expensed. On May 9, 2005, the Company acquired the remaining 49% of Aqua in exchange for 100,000 shares of Series "B" preferred stock of Nova and \$100,000 in the form of a convertible promissory note payable. The aggregate purchase price was valued at \$102,000. Management determined that it was uncertain if they would be able to recover the aggregate purchase price of Aqua and charged that amount to operations.

The 100,000 shares of Nova's Series "B" preferred stock were valued at

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\$.0025 per share or \$250. Management of the Company estimated the value of the preferred

F-14

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

3. Business combinations (continued)  
-----

shares exchanged after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

The convertible promissory note bears interest at 8% per annum and is due quarterly over thirty-six months from the date of the note. Payment of principal and interest of the note will be made solely by the issuance of 40,000,000 shares of the common stock of Nova.

Effective April 1, 2005, Nova acquired 100% of the common stock of NACIO in exchange for \$8,000,000 of common stock of Nova. The business combination was accounted for as a purchase.

The acquisition of NACIO is summarized as follows:

Purchase price	\$
Fair value of assets acquired:	
Cash	
Property & equipment	
Other assets	
	---
Fair value of liabilities assumed	
	---
Fair value of net assets acquired	
	---
Excess purchase price over fair value of net assets acquired	\$
	===

Management determined that they would not be able to recover the excess purchase price over the estimated fair value of the net assets of NACIO of \$2,796,416 and charged that amount to operations.

The results of operations of NACIO are included in the accompanying consolidated financial statements as of April 1, 2005. The following pro forma summary presents consolidated financial position and results of operations as if NACIO had been acquired as of July 1, 2003:

June 30



	2005	
Current assets	\$	924,000
Property & equipment		10,108,000
Total assets		10,798,000
Current liabilities		4,746,000
Long-term liabilities		2,611,000
Total stockholders' equity		3,441,000

F-15

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

	Years ended J	
	2005	
Net sales	\$	4,713,000
Gross profit		3,566,000
Operating expenses		6,651,000
Net loss		(3,079,000)
Loss per common share		(.71)

3. Business combinations (continued)

-----  
The above amounts are based upon certain assumptions and estimates, which the Company believes are reasonable. The pro forma financial position and results of operations do not purport to be indicative of the results which would have been obtained had the business combination occurred as of July 1, 2003 or which may be obtained in the future.

4. Cash flow information

-----  
Supplemental disclosure of cash flow information is as follows for the years ended June 30:

	2005	
Cash paid for interest	\$	-

Supplemental schedule of noncash financing activities are as follows for the years ended June 30:

2005

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Common stock issued in exchange for accrued payroll	\$ 180,000	\$
Common stock issued upon conversion of notes payable and accrued interest	\$ 552,617	\$
Preferred stock issued in exchange for payable to related party	\$ 363,151	\$
Common stock issued in exchange for long-term debt	\$ -	\$
Common stock to be issued in exchange for subsidiary	\$ 8,000,000	\$
Preferred stock and convertible note payable issued in exchange for subsidiary	\$ 100,250	\$

F-16

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

4. Cash flow information (continued)

Net cash acquired from purchase of subsidiaries during the year ended June 30, 2005 is as follows:

Consideration paid	\$ 8,102,000
Fair value of assets acquired	(11,337,830)
Liabilities assumed	6,140,932
Excess of purchase price over net assets acquired	2,905,102
Excess of purchase price expensed	2,896,666
Net cash acquired	\$ 8,436

5. Other accrued liabilities

Other accrued liabilities consisted of the following at June 30:

	2005	2004
Professional fees	\$ 220,612	\$ 55,000
Sales taxes	2,638	-
Sales costs	318,607	-
Total other accrued liabilities	\$ 541,857	\$ 55,000

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6. 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 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 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 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 1,915,433 shares of its common stock if the principal and accrued interest of the notes were converted as of June 30, 2005.

7. Restatement of previously issued financial statements  
-----

The Company determined that it had incorrectly accounted for the conversion feature of the certain convertible notes payable under EITF 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable

F-17

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

7. Restatement of previously issued financial statements (continued)  
-----

Conversion Ratios" in their consolidated financial statements as of June 30, 2005 and 2004. Rather, the Company determined that it should have accounted for the embedded conversion feature of the notes payable as a derivative instrument and the conversion of notes payable into shares of common stock at fair value 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" in their 2003 and 2004 consolidated financial statements.

The Company estimated the fair value of the conversion feature of its notes payable to be \$117,749 as of June 30, 2005 and \$100,475 as of June 30, 2004. Under EITF No. 00-19, this amount is reported separate from the notes payable as derivative liabilities. Further, under SFAS No. 133, 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

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Company recognized other income of \$1,951 for the change in fair value for the year ended June 30, 2005 and \$92,382 for the year ended June 30, 2004. During the year ended June 30, 2005, holders converted \$588,200 of notes and accrued interest into 1,110,000 shares of the Company's common stock. Those transactions were not correctly reported at fair value and the Company increased the value of the common stock issued by \$35,583 during 2005.

Under EITF 98-5, the Company had previously reported the portion of the proceeds from the note that represents the beneficial conversion feature as additional paid-in-capital. This debt discount was being amortized to interest expense using the interest method over the life of the conversion feature. During the year ended June 30, 2005, the Company previously reported \$78,000 as additional paid-in-capital for the beneficial conversion feature of its notes payable and interest expense of \$21,500 for the amortization of the debt discount for the year then ended. During the year ended June 30, 2004, the Company previously reported \$147,000 as additional paid-in-capital for the beneficial conversion feature of its notes payable and interest expense of \$73,500 for the amortization of the debt discount for the year then ended.

The accompanying consolidated financial statements for the year ended June 30, 2005 have been restated for the effects of the changes described above. The changes to the consolidated balance sheet and consolidated statement of operations are as follows:

	As previously reported	Adjustments	As
Consolidated Balance Sheet:			
Current liabilities:			
Accrued interest	\$ 199,065	\$ (16,124)	\$
	=====	=====	=====

F-18

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

7. Restatement of previously issued financial statements (continued)

Notes payable and accrued interest subject to conversion into a indeterminable number of shares of common stock	\$ 265,000	\$ (101,541)	\$
	=====	=====	=====
Derivative liabilities	\$ -	\$ 117,749	\$
	=====	=====	=====
Total current liabilities	\$ 4,745,708	\$ 84	\$
	=====	=====	=====

Stockholders' equity:

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Additional paid-in capital	\$ 22,998,916	\$ (189,417)	\$
Retained deficit	\$ (27,659,909)	\$ 189,333	\$
Total stockholders' equity	\$ 4,150,275	\$ (84)	\$

Consolidated Statement of Operations:

Other income (expenses):

Change in fair value of derivative liabilities	\$ -	\$ 1,951	\$
--	------	----------	----

Interest expense	\$ (222,676)	\$ 21,500	\$
------------------	--------------	-----------	----

Total other expenses	\$ (222,676)	\$ 23,451	\$
----------------------	--------------	-----------	----

Net loss from continuing operations	\$ (5,557,858)	\$ 23,451	\$
-------------------------------------	----------------	-----------	----

Net loss	\$ (5,418,341)	\$ 23,451	\$
----------	----------------	-----------	----

Net loss per common share from continuing operations	\$ (1.28)	\$ .001	\$
--	-----------	---------	----

The accompanying consolidated financial statements for the year ended June 30, 2004 have been restated for the effects of the changes described above. The changes to the consolidated balance sheet and consolidated statement of operations are as follows:

	As previously reported	Adjustments	As
Consolidated Balance Sheet:			
Current liabilities:			
Accrued interest	\$ 27,229	\$ (27,229)	\$

F-19

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

7. Restatement of previously issued financial statements (continued)

	As previously reported	Adjustments	As
Notes payable and accrued interest subject to conversion			

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into a indeterminable number of shares of common stock	\$ 416,500	\$ (92,128)	\$
Derivative liabilities	\$ -	\$ 100,475	\$
Total current liabilities	\$ 1,275,090	\$ (18,882)	\$
Stockholders' deficit:			
Additional paid-in-capital	\$ 20,749,385	\$ (147,000)	\$
Retained deficit	\$ (22,241,568)	\$ 165,882	\$
Total stockholders' deficit	\$ (734,816)	\$ 18,882	\$
Other income (expenses):			
Change in fair value of derivative liabilities	\$ -	\$ 92,382	\$
Interest expense	\$ (89,946)	\$ 73,500	\$
Total other expenses	\$ (587,703)	\$ 165,882	\$
Net loss from continuing operations	\$ (4,309,002)	\$ 165,882	\$
Net loss	\$ (4,442,782)	\$ 165,882	\$
Net loss per common share from continuing operations	\$ (1.35)	\$ -	\$

8. Long-term debt

-----

Long-term debt consisted of the following as of June 30:

	2005	2004
	-----	-----
Claims allowed under Plan of Reorganization of NACIO; payable \$800,000 by September 2006 and \$20,000 per month plus 5% of the first \$200,000 of gross revenues in excess of \$400,000, then 7% of the next \$200,000 of gross revenues, then 10% of the next \$200,000 of gross revenues; over a five year period; unsecured	\$ 4,197,951	\$ -
	=====	=====

F-20

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

8. Long-term debt (continued)

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	2005	2004
	-----	-----
Less principal due within one year	1,828,257	
Long-term obligations	\$ 2,369,694	\$ -----
	=====	=====

Future maturities of long-term debt are as follows for the years ending subsequent to June 30, 2006:

Years ending June 30:		
-----		
2007		\$ 789,898
2008		789,898
2009		789,898
		-----
		\$ 2,369,694
		=====

Long-term debt to relate parties consisted of the following at June 30:

	2005
	-----
Notes payable to an employee; due \$2,500 per month with interest at 6% per annum; unsecured	\$ 111,642
Notes payable to shareholders and directors; unsecured and due on demand. The holders of these notes have agreed not to demand repayment before October 2006.	159,510
	-----
Less principal due within one year	271,152 30,000
Long-term debt to related parties	\$ 241,152
	=====

Future maturities of long-term debt to related parties are as follows for the years ending subsequent to June 30, 2006:

Years ending June 30:		
-----		
2007		\$ 191,152
2008		30,000
2009		20,000
		-----
		\$ 241,152

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NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

9. Other related party transactions  
-----

The Company occasionally pays for expenses on behalf of Palaut Management, Inc. ("Palaut"). Palaut provides the Company with management consulting services. Close family members of a stockholder of Nova control Palaut Management, Inc.

10. Lease commitments  
-----

The Company leases its office and enterprise server facilities under a non-cancelable agreement that expires in August 2010. Minimum lease payments under the agreement are \$38,000 per month with a provision for annual increases based on the consumer price index. The lease agreement contains renewal provisions for up to ten additional years.

Minimum lease payments are as follows:

Years ending June 30:	
2006	\$ 456,000
2007	456,000
2008	456,000
2009	456,000
2010	456,000
2011	76,000
	-----
	\$ 2,356,000

Lease expense for the year ended June 30, 2005 was approximately \$117,400

11. 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 100,000 shares of its' preferred stock as Series "A".

On December 31, 2004, the Board of Directors of the Company agreed to exchange payables to a related party aggregating \$363,151 for 100,000 shares of its' Series "A" preferred stock.

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

F-22

NOVA COMMUNICATIONS LTD.



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Notes to Consolidated Financial Statement  
June 30, 2005

12. Preferred stock (continued)  
-----

In June 2005, the Board of Directors designated 100,000 shares of its preferred stock as Series "B". They further resolved that the Series "B" preferred stock be entitled to dividends in the same manner as holders of common stock; be entitled to vote on all matters at 250 votes per share as a single class of shareholder; and be entitled to liquidation preferences in the same manner as holders of common stock.

12. Common stock  
-----

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 issued after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

In December 2004, the Board of Directors authorized the sale of 68,965 shares of common stock of the Company to an individual for \$50,000.

During the fiscal year ended June 30, 2005, the Company issued an aggregate of 1,272,552 shares of its common stock in exchange for legal and consulting services. Management of the Company valued the shares issued at the closing bid price of the Company's common stock on the date of issuance after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded. The Company recorded legal and consulting fees aggregating \$978,274 during the year ended June 30, 2005 as a result of the issuances.

In December 2003, the Board of Directors authorized the issuance of 150,000 shares of common stock of the Company to PFK Development Group in exchange for a note payable and accrued interest of \$753,927. Management of the Company valued the shares issued at \$.05 per share, the closing bid price of the Company's common stock at the date of issuance. Management of the Company estimated the value of the Company's shares issued after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

On May 14, 2004, the Board of Directors authorized the issuance of 45,000 shares of common stock of the Company in exchange for \$90,000 of accrued payroll. Management of the Company valued the shares issued at \$2.00 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 issued after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded.

F-23

NOVA COMMUNICATIONS LTD.

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Notes to Consolidated Financial Statement  
June 30, 2005

12. Common stock (continued)  
-----

During the fiscal year ended June 30, 2004, the Board of Directors authorized the issuance of an aggregate of 437,501 shares of common stock of the Company in exchange for management and consulting services. Management of the Company valued the shares issued at the closing bid price of the Company's common stock on the date of issuance after considering the historical trend of the trading prices for its common stock and the limited volume of shares being traded. The Company recorded management and consulting fees aggregating \$3,533,364 during the year ended June 30, 2004 as a result of the issuances.

13. Stock based compensation  
-----

During the year ended June 30, 2004, the Company issued an aggregate of 305,000 shares of its common stock to its president as compensation for services.

Compensation expense of \$615,000 was recorded for the year ended June 30, 2004 for the fair value of the services rendered.

During the year ended June 30, 2004, the Company issued an aggregate of 108,500 shares of its common stock to employees as compensation for services. Compensation expense of \$114,000 was recorded for the year ended June 30, 2004 for the fair value of the services rendered.

14. Income taxes  
-----

Deferred income taxes consisted of the following at June 30:

	2005	
	-----	-----
Deferred tax assets:		
Net operating loss carryovers	\$ 6,736,998	\$
Allowance for uncollectible accounts	47,608	
	-----	-----
Deferred tax assets	6,784,606	
Valuation allowance for deferred tax assets	(6,784,606)	
	-----	-----
Net deferred income taxes	\$ -	\$
	=====	=====

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. As a result of the Company's continued losses and uncertainties surrounding the realization of the net operating loss carryforwards, management has determined that the realization of deferred tax assets is uncertain. Accordingly, a valuation allowance equal to the net deferred tax asset amount has been recorded as of June 30, 2005 and 2004.

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NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

14. Income taxes (continued)  
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The components of the provision for income taxes are as follows for the years ended June 30:

	2005	2004
State of California -		
Currently payable	\$ 2,400	\$ 800
	=====	=====

The provision for income taxes is included in the accompanying consolidated statement of operations under the following captions for the years ended June 30:

	2005	2004
Continuing operations	\$ 2,400	\$ 800
Discontinued operations	-	-
	-----	-----
	\$ 2,400	\$ 800
	=====	=====

Reconciliation of income taxes computed at the Federal statutory rate of 34% to the provision for income taxes is as follows for the years ended June 30:

	2005	
Tax at statutory rates	\$ (1,842,236)	\$
Differences resulting from:		
State tax, net of Federal tax benefit	1,584	
Non-deductible and other items	84,352	
Change in deferred tax valuation allowance	1,758,700	
	-----	-----
Provision for income taxes	\$ 2,400	\$
	=====	=====

The Company has approximately \$19,814,700 in Federal net operating losses which, if not utilized, expire through 2024.

Utilization of the net operating loss carryforwards could be limited due to restrictions imposed under Federal laws upon a change in ownership. The amount of the limitation, if any, has not been determined at this time.

15. Segment information  
-----

The Company considers its' operations to be in three segments, each of which are strategic businesses that are managed separately because each business sells or provides distinct products and services. The segments are as follows: (1) the development of recreational water sports products; (2) the provider of high speed Internet access and ESF; and

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(3) the provider of computer software compliance monitoring services.

F-25

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

15. Segment information (continued)  
-----

Financial information by business segment for the year ended June 30, 2005 is as follows:

	Recreational water sports products	High speed Internet and ESF	Computer software compliance	
	-----	-----	-----	-----
Sales	\$ 210,040	\$ 977,478	\$ 129,179	\$
Gross profit	210,440	678,065	129,179	
Net operating loss	(1,898,936)	(457,394)	(79,786)	
Identifiable assets	401,114	10,763,652	342,063	
Depreciation & amortization	-	330,407	-	

Reconciliation of the segment information to consolidated net operating loss for the year ended June 30, 2005 is as follows:

Segment net operating loss	\$ (2,436,116)
Write-off of excess purchase price of subsidiaries	(2,896,666)
Consolidated net operating loss	\$ (5,332,782)
	=====

16. Concentration risk  
-----

NACIO grants credit to its customers, generally businesses located throughout the United States. NACIO determines the credit worthiness of its customers after reviewing each potential borrower's credit application and generally does not require collateral. Trade receivables are generally due within 30 days; approximately \$107,500 of trade receivables as of June 30, 2005 is past 30 days. The ability of NACIO to collect its accounts receivable is affected by the economic fluctuations of the industries of the Company's customers, and interest-rate changes. Due to the large number and diversity of NACIO's customer base, concentration of credit risk with respect to trade receivables are limited.

NACIO's enterprise server facilities are located in Novato, California and electricity to power the facilities is obtained from a single-source supplier, Pacific Gas & Electric. NACIO has available back-up power generators sufficient to continue to power their

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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.

### 17. Recently issued pronouncements

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In July 2004, the Emerging Issues Task Force issued a draft abstract for EITF 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share". EITF 04-08 reflects the Task Force's tentative conclusion that contingently convertible debt should be included in diluted earnings per share computations regardless of

F-26

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

### 17. Recently issued pronouncements (continued)

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whether the market price trigger has been met. If adopted, the consensus reached by the Task Force in this Issue will be effective for reporting periods ending after December 15, 2004. Prior period earnings per share amounts presented for comparative purposes would be required to be restated to conform to this consensus and the Company would be required to include the shares issuable upon the conversion of its convertible notes payable in the diluted earnings per share computation for all periods during which the convertible notes payable are outstanding. Management does not expect the implementation of this new standard to have a material impact on its computation of diluted earnings per share.

In November 2004, the Financial Accounting Standards Board Statement issued SFAS 151, "Inventory Costs". SFAS 151 provides guidance on allocating certain costs to inventory and clarified that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognized as current-period charges. In addition, SFAS 151 requires allocation of fixed production overheads to the cost of conversion be based on normal capacity of the production facilities. The effective date of this standard is for fiscal years beginning after June 15, 2005, and implementation is prospectively. Management does not expect the implementation of this new standard to have a material impact on its consolidated financial position, results of operations and cash flows.

In December 2004, the FASB issued a revision to SFAS 123R, "Share-Based Payment, an amendment of FASB Statements Nos. 123 and 95," that addresses the accounting for share-based payment transactions in which a Company receives employee services in exchange for either equity instruments of the Company or liabilities that are based on the fair value of the Company's equity instruments or that may be settled by the issuance of such equity instruments. This statement would eliminate the ability to account for share-based compensation transactions using the intrinsic method and generally would require that such transactions be accounted for using a fair-value-based method and recognized as expense in the consolidated statement of operations. The effective date of this standard is for periods beginning after June 15, 2005. The Company previously adopted the fair-value-based method of valuing share-based

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payments and management does not expect any further impact of this new standard to have a material effect on its' consolidated financial position, results of operations and cash flows.

In December 2004, the Financial Accounting Standards Board Statement issued SFAS No. 153, "Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29", by eliminating the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No.153 is effective for fiscal years beginning after June 15, 2005, and implementation is prospectively.

F-27

NOVA COMMUNICATIONS LTD.

Notes to Consolidated Financial Statement  
June 30, 2005

Management does not expect the implementation of this new standard to have a material impact on its consolidated financial position, results of operations and cash flows.