

06 CV 2223

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND
EXCHANGE COMMISSION

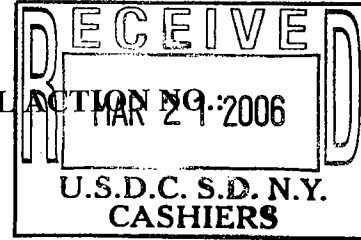
Plaintiff,

v.

SAVVIDES & PARTNERS/PKF CYPRUS,
PAVLOS MELETIOU,
R.K. DHAWAN AND CO., AND
R.K. DHAWAN

Defendants.

JURY TRIAL DEMANDED



COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC" or "Commission"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. This matter concerns violations of the anti-fraud and other provisions of the federal securities laws by Defendants Savvides & Partners/PKF Cyprus ("PKF Cyprus"), Pavlos Meletiou ("Meletiou"), R.K. Dhawan and Co. ("Dhawan & Co."), and R.K. Dhawan ("Dhawan") ("collectively "Defendants") in connection with their failures to properly audit subsidiaries of AremisSoft Corporation ("AremisSoft" or "the Company").

2. AremisSoft went public in April 1999, and reported consolidated revenues of \$52.6 million for 1998, \$73.4 million for 1999, and \$123.6 million for 2000. In November 2000, AremisSoft had a market capitalization of more than \$1 billion. Eight months later, the Company failed to file its second quarter 2001 financial report on Form 10-Q with the Commission.

AremisSoft subsequently announced that it could not substantiate approximately \$90 million of the consolidated revenues the Company reported in 2000. On March 15, 2002, AremisSoft filed for bankruptcy.

3. AremisSoft and its co-chairmen and co-CEOs Roys Poyiadjis (“Poyiadjis”) and Lycourgos Kyprianou (“Kyprianou”) (both sued by the Commission in *SEC v. AremisSoft Corporation, Roys Poyiadjis, Lycourgos Kyprianou, et al.*, Civil Action No. 01 CV 8903 [S.D.N.Y.]) engaged in a number of fraudulent practices to make it appear as if AremisSoft was an international software company with accelerating sales growth. AremisSoft booked fictitious sales and accounts receivable and overstated earnings in two Cyprus-based subsidiaries, AremisSoft (EE.ME.A.) Ltd. (“EEM”) and L.K. Global Information Systems B.V. (“LK Global”). In its 2000 Annual Report on Form 10-K, AremisSoft reported that \$97.5 million of its \$123.6 million in revenues (nearly 80%) came from these two Cyprus-based subsidiaries, when in fact the two subsidiaries together had just \$1.7 million in revenues for the year.

4. To hide its revenue and earnings shortfall in EEM and LK Global, AremisSoft reported acquisitions at inflated prices, making it seem as if cash AremisSoft allegedly collected from customers was used to purchase operating companies. In December 1999, AremisSoft announced that it had acquired a company called e-nnovations.com for cash of \$14.5 million. In its 2000 Annual Report on Form 10-K, AremisSoft reported that it had acquired two companies in December 2000, e-ChaRM Pvt Ltd. (“e-ChaRM”), for \$10.9 million cash and Denon International Ltd. (“Denon”), for \$7.34 million cash. Rather than the aggregate \$33 million in cash for acquisitions that AremisSoft reported, the actual acquisition prices were substantially less. In September 2001, AremisSoft acknowledged in a press release that the three acquisitions

had been reported at amounts not substantiated by information developed in the internal investigation. Rather than the \$7.34 million to \$14.5 million purchase prices reported, the actual prices paid ranged from approximately \$200,000 to \$400,000.

5. AremisSoft also grossly misstated its cash balance as of December 31, 2000. AremisSoft claimed to have \$33.33 million in cash, but \$9.98 million reported in EEM's books and records was actually in Kyprianou's personal Swiss bank account.

6. Defendants were participants in the fraud in that they knowingly or recklessly failed to conduct basic audit procedures that would have detected AremisSoft's financial fraud.

7. PKF Cyprus issued an audit report for fiscal year 1999 for e-nnovation.com that falsely stated that its audit was conducted in accordance with United States ("U.S.") generally accepted auditing standards ("U.S. GAAS") and that the financial statements were fairly presented in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). PKF Cyprus issued audit reports for fiscal year 2000 for EEM and LK Global that falsely stated that its audits were conducted in accordance with U.S. GAAS and U.S. GAAP. Meletiou signed all of the audit reports.

8. Dhawan & Co. issued audit reports for fiscal year 2000 for nine AremisSoft subsidiaries that falsely stated that its audits were conducted in accordance with U.S. GAAS and that the financial statements of the subsidiaries were fairly presented in conformity with U.S. GAAP. In fact, six of the companies had never been acquired by AremisSoft. Dhawan signed the audit reports.

9. By the conduct detailed in this Complaint, Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17

C.F.R. § 10b-5]. Defendants also aided and abetted AremisSoft's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B)] and Exchange Act Rules 12b-20, 13a-1, and 13b2-1 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13b2-1].

JURISDICTION AND VENUE

10. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa].

11. The Defendants, directly and indirectly, made use of the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged herein.

12. Venue is proper because certain of these transactions, acts practices and courses of business occurred in the Southern District of New York.

DEFENDANTS

13. PKF Cyprus is an accounting firm with offices in Limassol, Cyprus and Nicosia, Cyprus. It is a member of PKF International Ltd. PKF International Ltd. is an association of over 380 legally independent accounting and consulting practices located in 119 countries, with annual revenue of \$1.2 billion. PKF Cyprus performed audit work on several AremisSoft subsidiaries during the year 2000 audit of AremisSoft.

14. Dhawan & Co. is an accounting firm with offices in New Delhi, India and Bangalore, India. Dhawan & Co. issued audit reports on nine AremisSoft subsidiaries as part of the year 2000 AremisSoft audit.

15. Meletiou was a partner of PKF Cyprus while AremisSoft was a public company. Meletiou was responsible for the audits and reviews of the AremisSoft subsidiaries that PKF

Cyprus conducted. He was a certified accountant in Cyprus until his license was revoked by the Institute of Certified Public Accountants of Cyprus ("ICPAC") in June 2005 for, among other things, failing to comply with independence rules and failing to submit correct information to the ICPAC. Meletiou is a citizen of Cyprus, where he currently resides.

16. Dhawan, a chartered accountant in India, is the founding partner of Dhawan & Co. He was responsible for the reviews and audits of AremisSoft Dhawan & Co. conducted. Dhawan is a citizen of India, where he currently resides.

OTHER RELEVANT PARTY

17. AremisSoft, a Delaware corporation headquartered in London, was an international software company with offices in the United States (New Jersey), the United Kingdom (London), Cyprus, and India. AremisSoft became a public company in April 1999 through an initial public offering of 3.3 million shares. Until trading in AremisSoft stock was halted on July 30, 2001, its shares (symbol: AREM) traded on the Nasdaq National Market System. On August 29, 2001, Nasdaq delisted AremisSoft's common stock from the Nasdaq system. In a settlement with the Commission, AremisSoft consented to a judgment enjoining it from violating the antifraud and reporting provisions of the federal securities laws. The judgment, entered on July 22, 2002, binds AremisSoft's successor, Softbrands, Inc. In the settlement, AremisSoft consented to the issuance of a Commission Order revoking the registration of its common stock. The Commission's Revocation Order was issued on July 31, 2002.

AremisSoft's fiscal year ended on December 31.

PARTICIPATION IN THE FRAUD BY PKF CYPRUS AND MELETIOU

18. PKF Cyprus claimed that it audited the financial statements of AremisSoft subsidiary e-nnovations.com, covering the period 1997 through 1999. PKF Cyprus also

claimed that it audited the financial statements of AremisSoft's most significant subsidiaries, LK Global and EEM for fiscal year 2000. Meletiou was the audit partner on all of these audits. He had no training or experience in U.S. GAAS or U.S. GAAP.

19. During 2000, Meletiou attended meetings with senior AremisSoft executives at which the Company's fraudulent accounting was openly discussed.

20. On or about March 14, 2000, PKF Cyprus issued an unqualified audit report on e-nnovations.com covering the period 1997 through 1999 that stated that PKF Cyprus had conducted its audit in accordance with U.S. GAAS and that e-nnovation.com's financial statements presented e-nnovation.com's consolidated financial position fairly, in conformity with U.S. GAAP. The PKF Cyprus audit report was included in AremisSoft's 1999 Annual Report on Form 10-K filed with the Commission. Contrary to the representations in PKF Cyprus' audit report, e-nnovation.com's financial statements did not conform to U.S. GAAP and the audit was not conducted in accordance with U.S. GAAS in effect at the time of the audit. Among other things, the PKF Cyprus' audit report stated that e-nnovations.com had more than three million dollars of revenues in 1999, when in fact the company had virtually no assets, business, revenues, or income and, according to its own corporate records, had not even begun business operations as of March 31, 2000.

21. On or about February 20, 2001, PKF Cyprus issued an unqualified audit report on LK Global's 2000 financial statements that stated that PKF Cyprus had conducted its audit in accordance with U.S. GAAS and that LK Global's financial statements presented LK Global's consolidated financial position fairly, in conformity with U.S. GAAP. Meletiou signed the report. Contrary to the representations in PKF Cyprus' audit report, LK Global's 2000 financial statements did not conform with U.S. GAAP and the audit was not conducted in accordance

with U.S. GAAS in effect at the time of the audit. The financial statements of LK Global were included in AremisSoft's consolidated financial statements for 2000, AremisSoft's 2000 Annual Report on Form 10K filed with the Commission, and in AremisSoft registration statements that incorporated that financial information.

22. On or about February 22, 2001, PKF Cyprus issued an unqualified audit report on EEM's 2000 financial statements that stated that PKF Cyprus had conducted its audit in accordance with U.S. GAAS and that EEM's financial statements presented EEM's consolidated financial position fairly, in conformity with U.S. GAAP. Meletiou signed the report. Contrary to the representations in PKF Cyprus' audit report, EEM's 2000 financial statements did not conform with U.S. GAAP and the audit was not conducted in accordance with U.S. GAAS in effect at the time of the audit. The financial statements of EEM were included in AremisSoft's consolidated financial statements for 2000, AremisSoft's 2000 Annual Report on Form 10K filed with the Commission, and in AremisSoft registration statements that incorporated that financial information.

23. In its audit reports on LK Global and EEM for fiscal year 2000, PKF Cyprus certified that its audits were conducted in accordance with U.S. GAAS. Meletiou signed the reports. In fact, the PKF Cyprus audits failed to meet numerous U.S. GAAS requirements in that Meletiou:

a) Did not obtain sufficient competent evidential matter through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. The PKF Cyprus audit workpapers Meletiou prepared during the 2000 audits of LK Global and EEM, found in a trash heap outside AremisSoft's Indian offices, include phony customer and bank confirmations.

None of the accounts receivable confirmations in the PKF Cyprus audit workpapers are originals; many have identical or similar handwriting; and, according to the dates printed on the top of each, eight of seventeen were returned on the same two dates: February 2 or February 5, 2001. The accounts receivable confirmations were addressed to customers of AremisSoft rather than to account managers, despite the Company's claim that the account managers, not customers, were indebted to AremisSoft;

b) Did not exercise due professional care in the performance of the audits and the preparation of the audit reports. PKF Cyprus did not obtain satisfactory audit evidence concerning an unnumbered Swiss bank account containing \$9.98 million, which was reflected for the first time on EEM's general ledger on December 23, 2000, just before AremisSoft's year end, and included in AremisSoft's year 2000 consolidated financial statements. The only evidence related to the account that PKF Cyprus obtained from third parties was a confirmation letter to Meletiou from a Swiss bank dated March 20, 2001, weeks after Meletiou signed the audit report for EEM, which stated without explanation that "since 29th of December 2000, we hold an amount of \$9.980.000 blocked in favor of [EEM]." AremisSoft had no such account at any time before or during 2000. But Kyprianou did have bank accounts at the Swiss bank and he deposited proceeds of his AremisSoft stock sales in those accounts;

c) Did not have adequate technical training and proficiency with respect to U.S. GAAS or U.S. GAAP;

d) Did not consider the risk of misstatement arising from fraudulent financial reporting during the planning of the audits and the performance of substantive audit procedures; and

e) Did not obtain a sufficient understanding of the internal controls of LK Global or EEM to plan the audit and to determine the nature, timing, and extent of tests to be performed. Although Meletiou suggested in or about February 2001 that the LK Global or EEM internal controls be tested in April and May 2001, after the year end 2000 audit report was to be filed, and told another auditor in early March 2001 that he would conduct internal control testing, such testing never occurred.

24. Meletiou knew or was reckless in not knowing that the statements in the PKF Cyprus' audit reports referenced in Paragraphs 21-23 above were materially false and misleading.

PARTICIPATION IN THE FRAUD BY DHAWAN & CO. AND DHAWAN

25. Dhawan & Co. claimed that it audited the financial statements of nine AremisSoft subsidiaries in 2000. The financial statements of these subsidiaries were included in AremisSoft's consolidated financial statements for 2000, AremisSoft's 2000 Annual Report on Form 10K filed with the Commission, and AremisSoft registration statements that incorporated that financial information. Dhawan, a partner of Dhawan & Co., was the audit partner on all of these audits. He had no training or experience in U.S. GAAS or U.S. GAAP.

26. During February 2001, Dhawan & Co. issued unqualified audit reports on the 2000 financial statements of the nine AremisSoft subsidiaries. Dhawan signed these audit reports. The audit reports stated that Dhawan & Co. had conducted its audits in accordance with U.S. GAAS and that the financial statements were presented in conformity with U.S. GAAP. Contrary to the representations in Dhawan & Co.'s audit reports, none of the AremisSoft subsidiaries' 2000 financial statements conformed with U.S. GAAP and the audit was not conducted in accordance with U.S. GAAS in effect at the time of the audits. The false financial

results of these companies were included as part of AremisSoft's consolidated financial statements included in AremisSoft's year 2000 Annual Report on Form 10-K filed with the Commission, even though five of the nine companies had never in fact been acquired by AremisSoft and four were shell companies, with insignificant assets, revenues, and income.

27. R.K. Dhawan knew or was reckless in not knowing that the statements in the R.K. Dhawan & Co. audit reports referenced in paragraph 26 were materially false and misleading.

FIRST CLAIM FOR RELIEF

(False Audit Reports)

28. Paragraphs 1 through 27 are hereby realleged and incorporated by reference.

29. By reason of the forgoing, Defendants violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

SECOND CLAIM FOR RELIEF

(Aiding and Abetting Violations of the Antifraud Provisions of the Exchange Act)

30. Paragraphs 1 through 27 are hereby realleged and incorporated by reference.

31. As described in paragraphs 2 through 5 and 20, AremisSoft violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by filing with the Commission Forms 10-K containing materially false and misleading representations and omissions. Defendants aided and abetted AremisSoft pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] by knowingly providing substantial assistance to AremisSoft in connection with AremisSoft's violations.

THIRD CLAIM FOR RELIEF

(Aiding and Abetting Violations of the Reporting Provisions of the Exchange Act)

32. Paragraphs 1 through 27 are hereby realleged and incorporated by reference.

33. In the manner described in paragraphs 2 through 5 and 20, AremisSoft violated Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-1 by filing with the Commission Forms 10-K containing materially false and misleading representations and omissions.

34. Defendants aided and abetted AremisSoft pursuant to Section 20(e) of the Exchange Act by knowingly providing substantial assistance to AremisSoft in connection with AremisSoft's violations.

FOURTH CLAIM FOR RELIEF

(Aiding and Abetting Violations of Recordkeeping and Internal Control Provisions of the Exchange Act)

35. Paragraphs 1 through 27 are hereby realleged and incorporated by reference.

36. AremisSoft failed to make and keep books, records, and accounts that in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets. AremisSoft failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were executed in accordance with management's general or specific authorization and transactions were recorded as necessary to permit preparation of financial statement in conformity with generally accepted accounting principles. AremisSoft and its employees falsified books and records subject to Section 13(b)(2)(B) of the Exchange Act.

37. Defendants aided and abetted AremisSoft pursuant to Section 20(e) of the Exchange Act by knowingly providing substantial assistance to AremisSoft in connection with AremisSoft's violations.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court

I.

Enters Orders:

A. permanently enjoining PKF Cyprus, Meletiou, R.K. Dhawan and Co., and R.K. Dhawan from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder;

B. permanently enjoining PKF Cyprus, Meletiou, R.K. Dhawan and Co. and R.K. Dhawan from violating Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13b2-1;

C. ordering Defendants to disgorge all profits realized from the unlawful conduct alleged herein, plus prejudgment interest; and

D. ordering Defendants to pay civil money penalties for their unlawful acts pursuant to Sections 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

II.

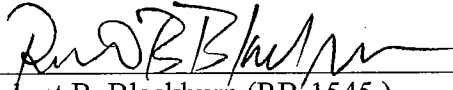
Retain jurisdiction of this action in order to implement and carry out the terms of all Orders and Decrees that may be entered, and to entertain any suitable application or motion for additional relief within the jurisdiction of the Court.

III.

Grant such other and additional relief as this Court may deem just and proper.

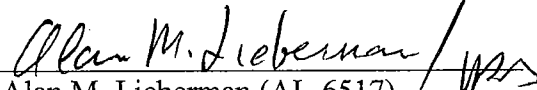
Respectfully submitted,

Dated: March 21, 2006



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