Gafisa S.A.
Form 6-K
April 15, 2019

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the month of April, 2019

(Commission File No. 001-33356),

Gafisa S.A.

(Translation of Registrant's name into English)

Av. Nações Unidas No. 8501, 19th floor
São Paulo, SP, 05425- 070
Federative Republic of Brazil
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ___X___ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Yes ______ No ___X___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ______ No ___X___

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ______ No ___X___

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Financial Statements

Gafisa S.A.

December 31, 2018

and Report of Independent Registered Public Accounting Firm

(A free translation of the original report in Portuguese as published in Brazil)

Gafisa S.A.

Financial Statements

December 31, 2018

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(A free translation of the original report in Portuguese as published in Brazil)

MANAGEMENT REPORT 2018

Dear Shareholders,

The Management of Gafisa S.A. ("Gafisa" or "Company") submits for your examination the Management Report and the related Financial Statements, accompanied by the Reports of Independent Registered Accounting Firm and Fiscal Council for the fiscal year ended December 31, 2018. The Management Report information is reported on a consolidated basis, unless if specified otherwise, and in accordance with the accounting practices adopted in Brazil and pursuant to the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

MESSAGE FROM MANAGEMENT

The Company underwent a restructuring process throughout 2018. In February, the increase in capital in the amount of R$250.8 million was completed, which reduced pressure on cash in that moment. In the end of September, the Company's management was changed, followed by the implementation of a turnaround strategy aimed at readjusting the structure and expenditures, and included the close down of the branch in Rio de Janeiro, the move of the registered office and review of processes.

The actions that have already been performed and those that will be carried out, in line with the above-mentioned strategy, shall result in a total saving of around R$110 million per year. The main reductions were: (i) headcount, in the order of 50%, which represents a saving of R$45 million/year; (ii) marketing – R$40 million/year (iii) IT – R$18 million/year; (iv) registered office's move – R$4 million/year; and (v) expenditures on sales stand and points of sale – R$4 million, among others. A portion of such gains has already materialized during November and December 2018, but will become more evident from the following quarters.

The needs for adjustment mapped during the 4Q18, such as the impairment of land, inventories and goodwill on the remeasurement of the investment in Alphaville, and the reversal/entry of provisions, among other adjustments, were recorded in the 4Q18, negatively affecting profit or loss by R$276 million.

Gafisa thus starts the year 2019 adjusted and well positioned to begin a new cycle in the real estate sector. The company has assets of quality and a traditional and well-known trademark. Besides, the pipeline of launches counts on residential ventures located in the city of São Paulo, very appropriate to satisfy market demand, and, for this reason, with expected attractive profitability. The largest volume of ventures is expected to be launched in the second half of 2019.

The Total Saves Value (TSV) in inventory amounts to R$1.2 billion, with higher concentration in residential units located in São Paulo and with higher market liquidity (73% of aggregate TSV in inventory).

Cancelled contracts, which have unbalanced many ventures over several years, have significantly reduced during the year. The monthly average volume of cancelled contracts changed from R$34 million in 2017 to R$19 million in 2018. This downward trend shall continue in 2019, with the approval of the Law that governs cancelled contracts. Under the new legislation, developers may retain up to 50% of the amounts paid by the consumer in case the latter cancels the purchase, providing more legal protection for the sector.

Net debt amounted to R$752 million in December 2018, which represents a reduction of 21% in relation to the closing balance of 2017. Leverage, measured by the ratio of net debt to equity, increased to 153% at the end of 2018, mainly impacted by the loss for the year and recognized impairment. Excluding venture financing, the net debt-to-equity ratio stands at 45%. Funding alternatives have been evaluated to readjust the Company’s capital structure.

The prospects for 2019 are positive, once the macroeconomic scenario is more favorable and the market is already giving signs of recovery. Growth is expected to pick up gradually, sustainably, and aiming at delivering a solid performance and creating value to shareholders and other stakeholders.

OPERATIONAL AND FINANCIAL PERFORMANCE

In the year, launches totaled R$729 million in TSV, divided into six projects, all of which in São Paulo. At the end of December 2018, 55% of the volume launched in the year had already been sold, demonstrating the Company's assertiveness in selecting its ventures.

Gross sales reached R$1,040 million in 2018.

Cancelled contracts totaled R$228 million, a 45% reduction in relation to 2017, even with a higher volume of delivery in the period, demonstrating a better quality of sales. Net sales thus increased 13% in relation to 2017, recording R$813 million in 2018.

The SoS over the past 12 months reached 40%, up 8 p.p. on the same period of the previous year, boosted by inventory sales and the good performance of launches over the year.

At the end of 2018, inventory showed a 22.5% reduction in relation to the end of 2017, even with a 32% increase in the volume of launches in the period. Gafisa keeps trying to maintain commercial balance between the latest and completed ventures. In December 2018, the inventory of completed units represented 38% of TSV in inventory.

Deliveries totaled 2,354 units with a TSV of R$910 million, divided into 12 projects or phases in 2018. At present, Gafisa has 14 active construction sites and four projects which construction will start in 2019.

In recent years, the Company has taken measures to improve the process of receipt and transfer, seeking to maximize the return of the funds employed in projects. At present, 90% of eligible units are transferred in up to 90 days after the delivery of the venture or certificate of occupancy. In 2018, the transferred TSV totaled R$321 million.

In 2018, net revenues totaled R$960.9 million, a 22% increase in relation to 2017. The increased revenue recognition is a result of the larger sales volume and progress of works in the period.

Gross profit and gross margin were impacted by provisions amounting to R$63.1 million arising from the impairment recognized in certain land, located in the city of Rio de Janeiro, and in units in inventory. Without the effect of such adjustments and capitalized interests, recurring adjusted gross profit amounted to R$ 290.7 million in 2018, which is equivalent to more than double the amount reported in 2017. Adjusted gross margin was 30.3% in 2018, up 12.0 p.p on the margin reported in 2017.

General and administrative expenses changed from R$92.7 million in 2017 to R$57.1 million in 2018; a result of the net reversal of the reserve for bonus for previous and current years, in the amount of R$14.8 million, and the reduction in service and IT expenditures.

Recurring adjusted EBITDA (excluding expenses on contingencies; impairment of inventories, land, software, and loss on Alphaville investment) was positive by R$127 million in 2018 whereas it was negative by R$50.8 million in 2017.

In 2018, the accumulated net financial income (expenses) was negative by R$80.5 million, and in 2017 the net loss amounted to R$107.3 million.

The line item income tax and social contribution was positive by R$24.1 million in 2018, reflecting deferred tax assets of R$26 million arising from the impairment of goodwill accounted in the investment in Alphaville. For this same reason, the provision for IR/CSLL was positive by approximately R$21.8 million in 2018. As a result of the previously discussed effects, the net profit or loss for 2018, excluding the adjustments made in the pricing of inventories, land, and software, and in the goodwill on the interest in Alphaville, as well as the expenditures on contingency, was negative by R$66.2 million, while the net loss for 2017 amounted to R$190.1 million. As of December 31, 2018, the balance of cash, cash equivalents and short-term investments reached R$137.2 million.

At the end of 2018, gross debt reached R$889 million, with substantial decrease of 20% as compared to the end of 2017.

People and Management

We have an experienced team who is at the vanguard of the Brazilian real estate sector. Many of our professionals began their careers in the Company.

Approximately 50% of our leaders were trained in-house, through talent recruiting and training. So even after readjusting the Company's personnel, we will work hard to obtain results to shareholders, with quality and respect for customers.

Also, occupational safety and accident are central themes for Gafisa. Therefore, we maintain a continuous program of risk identification, prevention and mitigation, which aims, besides preserving the physical integrity of our employees, to offer a basis for a healthier life. For us, investing in safety is a guarantee of wellness in and out of the work environment. We offer training programs to the team in the field (directly related to construction works), as well as to our collaborators of third-party companies, who provide services in our sites and ventures.

The Company has 359 employees (base December 2018).

Research and Development

Gafisa has and encourages multiple fronts focused on innovation. In the end of 2018 Gafisa Service, was created, a business unit aimed at providing services post-warranty, house-up (customization of the unit to be delivered, according to the customer needs) and rental of residential and commercial units, own or of third parties.

House-up services were segmented in three waves:

ü Ready to move: custom finishing services;

ü Ready to live: custom finishing, furniture and decoration services;

ü House-Up after keys: custom services for ready units;

The post-warranty service will also be implemented in three phases, according to the delivery date of the Company's ventures.

Complementing the sales strategy, rental services are expected to play a significant role as competitive advantage and as factor to win loyalty. These services reflect a market trend and show potential for both monetizing inventories and increasing the margin share of ventures.

CORPORATE GOVERNANCE

Board of Directors

Gafisa's Board of Directors is the decision-making body responsible for formulating general guidelines and policies for the Company's business, including its long-term strategies. In addition, the Board also appoints executive officers and supervises their activities.

The decisions of the Board of Directors are taken by the majority vote of its members. In the event of a tie vote, the Chair of the Board of Directors has, in addition to her/his personal vote, to cast a tie-breaking vote.

The current Board is formed by five members, most of whom are independent (80%). The members serve for a unified term of office of two years*, according to the Listing Rules of *Novo Mercado*, with reelection and removal being permitted by shareholders in Shareholders' Meeting.

The members of Board of Directors are shown in the following table.

Augusto Marques da Cruz Filho	Effective Member and Chair of the Board of Directors	2.17.2019	ESM APRIL/19
Antonio Carlos Romanoski	Effective Member	3.27.2019	ESM APRIL/19
Pedro Carvalho de Mello	Effective Member	9.25.2018	ESM APRIL/19
Thomas Cornelius Azevedo Reichenheim CCCcReichenheimReichenheim	Effective Member	3.15.2019	ESM APRIL/19
Roberto Luz Portella	Effective Member	3.15.2019	ESM APRIL/19

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*The election of members to the Board of Directors was held by multiple vote, and, according to the Company's Articles of Incorporation, there is no alternate. Accordingly, under the terms of paragraph 3 of Law 6404/76, when a Board seat becomes vacant, a new election of members shall be held, which will take place in the next ESM, scheduled for April 15, 2019.

Fiscal Council

Gafisa's Articles of Incorporation provide for a non-permanent Fiscal Council, the Shareholders' Meeting being able to determine its installation and members, as provided in the Law. The Fiscal Council, when installed, will comprise three to five members, and an equal number of alternates.

The operations of the Fiscal Council, when installed, ends in the first Annual Shareholders' Meeting (ASM) held after its installation, the re-election of its members being permitted. The compensation of fiscal council members is set at the Shareholders' Meeting that elect them.

In the ASM held on April 28, 2018, the Fiscal Council was again installed, and it will operate until the next Annual Shareholders' Meeting of the Company to be held in April 2019. On November 30, 2018, an ESM was held aimed at electing three members and their respective alternates to the Fiscal Council, for a term of office up to the ASM of 2019.

The members of the Fiscal Council elected on November 30, 2018 are as follows.

Olavo Fortes Campos Rodrigues Junior	Effective Member	11.30.2018	ASM 2019
Marcelo Martins Louro	Effective Member	11.30.2018	ASM 2019
Fabio N S Mansur	Effective Member	11.30.2018	ASM 2019
Thiago Fukushima	Alternate	11.30.2018	ASM 2019
Eliane de Jesus Santana	Alternate	11.30.2018	ASM 2019
Rafael Calipo Ciampone	Alternate	11.30.2018	ASM 2019

Executive Management

The Executive Management is the Company's body mainly responsible for managing and daily monitoring the general policies and guidelines established at the Shareholders' Meeting and Board of Directors.

Gafisa's Executive Management shall be composed of a minimum of two and a maximum of eight members, including the CEO, the CFO and the IR Officer, elected by the Board of Directors for a three-year term of office, reelection being permitted, as established in the Articles of Incorporation. In the current term of office, six members comprise the Executive Management:

Roberto Luz Portella	CEO, CFO and IR Officer	3.27.2019	3.26.2022
Eduardo Larangeira Jácome	COO	3.27.2019	3.26.2022

Committees

The Company has two advisory committees of the Board of Directors, of permanent and statutory character, which are required to comprise three independent members of the Board of Directors.

§ **Corporate Governance and Compensation Committee:** originated from joining the Compensation Committee with the Appointment and Corporate Governance Committee, this committee accumulate the competences of these former committees and is aimed at periodically analyzing and reporting on matters related to the size, identification, selection and qualification of the Board of Directors, Executive Management and candidates appointed to serve on the Board and its Committees, prepare and recommend Governance principles applicable to the Company, and evaluate and make recommendations to the Board members on the compensation policies and all types of bonus to be offered to the Executive Officers and other employees of the Company. At present, it is presided by Thomas Cornelius Azevedo Reichenheim, and also relies on Augusto Marques da Cruz Filho and Pedro Carvalho de Mello as members.

§ **Audit Committee:** is responsible for planning and reviewing the Company's annual and quarterly reports and accounting, the auditor's involvement in the process, focusing particularly on compliance with legal requirements and accounting standards, and ensuring that an effective system of internal controls is maintained. This Committee shall be comprised of members who have experience in the matters related to accounting, audit, finance, taxation, and internal controls, and one of its members shall have vast experience in accounting and financial management. At present, it is presided by Pedro Carvalho de Mello, with Augusto Marques da Cruz Filho and Thomas Cornelius Azevedo Reichenheim serving as members.

The Company also has three advisory committees of the Board of Directors, non-statutory, composed of the Officers and Managers of the Company:

§ **Executive Ethics Committee:** it has the duty to monitor the practices adopted by the whole organization, assuring that they are compatible with the beliefs and values that represent Gafisa and the principles and guidance on conduct established in the Code of Ethics. This Committee is supervised by the Audit Committee.

§ **Executive Investment Committee:** it has the duty to analyze, discuss and recommend the acquisition of new real estate and launches of real estate; provide advisory to Officers in the negotiation of new contracts and project structuring; keep up with the approval of budgets and cash flow; and, in special cases, participate in the negotiation and structuring of new agreement types. This Committee is only composed of the Statutory Officers of the Company.

§ **Executive Finance Committee:** works evaluating and providing recommendations to the Board members on the Company's risk policies and financial investments. This Committee is composed of the Statutory Officers of the Company.

Dividends, Shareholders Rights and Share Data

In order to protect the interest of all shareholders equally, the Company establishes that, according to the effective legislation and the best governance practices, the following rights are entitled to Gafisa's shareholders:

§ vote in annual or extraordinary Shareholders' Meeting, and make recommendations and provide guidance to the Board of Directors on decision making;

§ receive dividends and participate in profit sharing or other share-related distributions, in proportion to their interests in capital;

§ supervise Gafisa's management, according to its Articles of Incorporation, and step down from the Company in the cases provided in the Brazilian Corporate Law; and

§ receive at least 100% of the price paid for common share of the controlling stake, according to the Listing Rules of *Novo Mercado*, in case of public offering of shares as a result of the disposal of the Company's control.

Under the terms of article 47, paragraph 2 (b) of Articles of Incorporation, the balance of net income for the year, calculated after the deductions provided in the Articles of Incorporation and adjusted according to article 202, of the Brazilian Corporate Law, will have 25% of it allocated to the payment of mandatory dividend to all shareholders of the Company.

Considering that the Company recognized loss for the year ended December 31, 2018, there is no proposal for allocation of net income and dividend distribution.

CAPITAL MARKETS

The Company has diluted capital, its shares are traded in the Brazilian market and abroad through American Depositary Receipt (ADR). From December 17, 2018, Gafisa's shares are no longer listed on the New York Stock Exchange (NYSE), and its ADRs started to be traded Over the Counter (OTC). The Company's delisting process was approved in the meeting of the Board of Directors held on November 26, 2018. The rationale behind this decision is supported by the weighing of the costs against the benefits inherent in the ADR program.

In 2018, we reached an average daily trading volume of R$16.7 million in B3 and US$ 271 thousand in NYSE/OTC.

The Company's shares ended the year 2018 quoted at R$16.90 (GFSA3) and US$8.56 (GFASY).

Independent Registered Public Accounting Firm

The Company's policy on commissioning non-external audit services to independent auditors is based on principles that preserve their autonomy. These internationally accepted principles consist of the following: (a) the auditor cannot audit its own work, (b) the auditor cannot function in the role of management in its client, and (c) the auditor cannot promote the interests of its client.

According to Article 2 of CVM Instruction 381/03, Gafisa informs that BDO RCS Auditores Independentes, the independent registered accounting firm of the Company and its subsidiaries, did not provide services other than independent audit in 2018.

Management Statement

The Executive Management declares, in compliance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/2009, that it revised, discussed and agrees with the Financial Statements contained in this Report and the opinion issued in the report of Independent Registered Accountants on them.

Acknowledgements

Gafisa thanks the valuable contribution of its employees, customers, suppliers, partners, shareholders, financial institutions, government entities, regulatory bodies and other stakeholders for the support received throughout 2018.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To

Shareholders, Board Members and Management of

Gafisa S.A.

São Paulo - SP

Opinion on the individual and consolidated financial statements prepared in accordance with Brazilian accounting practices and with the International Financial Reporting Standards (IFRS), applicable to Brazilian real estate development entities, registered with the Brazilian Securities Commission (CVM)

We have audited the accompanying individual and consolidated financial statements of **Gafisa S.A. (“Gafisa” or “Company”)**, identified as Company and Consolidated, respectively, which comprise the statement of financial position as of December 31, 2018, and the respective statement of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, as well as the corresponding explanatory notes to the financial statements, including a summary of significant accounting policies.

Opinion on the individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of Gafisa S.A. as at December 31, 2018, its financial performance and cash flows for the year then ended, in accordance with Brazilian accounting practices, applicable to Brazilian real estate development entities, registered with the Brazilian Securities Commission (CVM).

Opinion on the consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gafisa S.A. and its subsidiaries as at December 31, 2018, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the Brazilian Securities Commission (CVM).

Basis for opinion on the individual and consolidated statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

Accounting practices adopted in Brazil applicable to real estate development entities in Brazil, registered with the CVM

As described in Note 2.1, the individual and consolidated financial statements have been prepared in accordance with the Brazilian accounting practices and with the International Financial Reporting Standards (IFRS), applicable to Brazilian real estate development entities, registered with the CVM. Accordingly, the determination of the accounting policy to be adopted by entity, on recognition of revenue from purchase and sale of real estate unit in progress, on aspects related to transfer of control, based on the understanding expressed by CVM in the Ofício-Circular/CVM/SNC/SEP 02/2018 on the application of NBC TG 47 (IFRS 15). Our opinion is not qualified in respect to this matter.

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Key audit matters

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

Compliance with the contractual terms of loan and financing contracts	**How the matter was addressed in the audit**
The Company and its subsidiaries have many loan and financing contracts totaling R$ 560,599 thousand and R$ 623,746 thousand, in the Company and consolidated, respectively, for developing real estate ventures and enhancing working capital. Certain contracts have guarantee clauses, such as fiduciary assignment of receivables and debt acceleration, which involves the compliance with certain financial ratios and other conditions that establish, among others, the approval from financial institutions of changes in the control of ownership interests and veto of the assignment by the Company and/or subsidiaries of receivables and obligations already provided as guarantee to the respective financial institutions.	Our audit procedures included, among others: § Reading loan and financing contracts; § Issue letter and receipt of external confirmation of the balances recorded in the financial statements; § Understanding the management's analysis of the restrictive covenants and the consistency of the application of such understanding in relation to the financial statements disclosed in prior periods; § Obtaining the opinion of the Company's external legal counsel on certain transaction; and § Recalculation of financial covenants and evaluation of compliance.
As mentioned in Note 12, in some situations debts were reclassified into short-term liabilities as a result of the breach of contractual obligations, and Management, based on its understanding and that of legal counsel, understands that there is no impact	During the audit process we identified weaknesses in the internal controls related to

on cross-acceleration clauses.

Additionally, Management and its legal counsel interpret that for certain contracts with financial institutions the lack of notification by the creditor until the date of approval of the financial statements entitle the Company the unconditional right to keep the deferral of the settlement based on the terms agreed in contracts.

Considering the complexity of the judgment in the interpretation of contracts with some financial institutions, the need for robust and timely internal controls, and the relevance of this matter to the Company's liquidity risk, we consider it a key audit matter in our audit.

the solidity of the monitoring of restrictive covenants, regarding the incomplete formalization of covenant monitoring, fact which reveals the need for review and improvement in internal controls.

The results achieved by the above-mentioned audit procedures are consistent with Management's evaluation reported in the disclosures of the Notes, in the context of the individual and consolidated financial statements taken as a whole.

Revenue recognition of the real estate units sold in construction phase, and measurement of the allowance for cancelled contracts

As mentioned in Note 2.2.2, revenue recognition, the Company applied NBC TG 47 (IFRS 15) – Revenue from contracts with customers, including the guidance contained in Ofício-Circular CVM/SNC/SEP 02/2018, related to the sale of units not yet completed, in which revenue is recognized over time (overtime method), with measurement through the progress of budgeted costs in relation to the estimated costs of each real estate venture (percentage of completion – PoC).

After meeting the criterias for beginning the revenue recognition described in the Company’s accounting policy, management periodically reassess the risk of cash inflow, for each contract of real estate unit sold and not yet delivered to the customer. In the period when there is uncertainty and cash inflow is no longer probable, the Company discontinue the revenue recognition of customer and reverses the amounts that have been recorded since the signature date of the purchase and sale contract, and recognizes as allowance for cancelled contracts considering any amount that has already been received, with the applicable contractual and legal deductions.

We consider these matters as significant in our audit because of the potential effects involved in the financial statements, requiring robust internal controls for the process of preparation and budgets of each real estate venture, requiring ongoing monitoring, as

How the matter was addressed in the audit

Our audit procedures included, among others:

Recognition of revenue from real estate units not yet completed

§ Evaluation of the internal control environment for revenue recognition;

§ Test of relevant review controls and approval controls of budget and update of the receivables portfolio;

§ Test, using sampling method, of sales contracts of real estate units for understanding the established terms and conditions;

§ Understanding and tests, using sampling method, of the budgets, and analysis of the portion of costs to be incurred as compared to the stage of completion of the ventures selected for testing;

§ Test, using sampling method, of incurred expenses through the supporting documentation identified by venture;

§ Visit to some real estate ventures for understanding the physical and financial progress of construction, and verification of possible specific risk; and

§ Recalculation of revenue recognized based on the information extracted from the approved budgets by the engineer responsible for the venture.

they are the basis for recognition of revenues from sale of real estate units in construction phase, and use of specific assumptions to try to timely identify the uncertainty risk regarding cash inflows, and, consequently, measurement and record of allowance for cancelled contracts.	**Measurement of the allowance for cancelled contract** § Understanding of internal controls and test of the data basis of real estate unit sold, and analysis regarding the existence of default, and requests for contract cancellation under analysis or finalized; § Evaluation of the assumptions adopted by the Company to identify the risk of uncertainty about cash inflow; § Test of derecognition of revenue, costs, allowance for cancelled contracts payable, and recorded inventory amount; and § Evaluation of the effective cancelled contracts occurred in subsequent period that could have not been considered in the allowance. The results achieved by the above-mentioned audit procedures are consistent with the Management's evaluation reported in the disclosures of Notes, without identification of adjustments or relevant weakness in internal controls

Provisions and contingent liabilities	**How the matter was addressed in the audit**
As mentioned in Notes 2.2.22 (i) and 16, the Company and its subsidiaries are parties to a large number of lawsuits and administrative proceedings in civil, labor and tax levels, that arise in the ordinary course of their businesses.	Our audit procedures included, among others:
Given the number of claims, Management adopts the criteria for recognizing provision for claims from the first unfavorable decision awarded to the Company, and, in cases of individually material claims, analyses by case.	§ Understanding of the policy on recognition of provision for contingencies adopted by the Company and its subsidiaries, as well as the performance of tests, using sampling method, of relevant internal controls to ensure that the criteria established in the policy have been applied; § Receipt and evaluation of the letter from legal counsel informing the claims to which the Company and its subsidiaries are parties in administrative or legal dispute;
Due to the number of claims, the criteria established for timely identifying the need for recognizing a provision and the existence of significant judgments involved in the process of evaluation and measurement of provisions, and disclosures of contingent liabilities, we considered it a key audit matter.	§ Discussion with internal counsel and governance bodies for understanding the existence of significant matters not recorded in the books or mentioned in the Notes; and § Comparison of the total contingencies mentioned by the Company's legal counsel which outflow of funds is considered probable with the accounting provision reported in the financial statements as of December 31, 2018, and analysis of the disclosures of contingent liabilities.
	During the audit process, there was the need for adjustments that affected the measurement and disclosure of the provision for contingencies, which were recorded and disclosed by management. These adjustments also reveal the need for review and improvement in internal controls.

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Evaluation of the recoverability of non-financial assets – goodwill on investment in Alphaville and land that is not included in the business plan for future developments	**How the matter was addressed in the audit**
The Company records the amount of R$ 161,100 thousand, net of provision for impairment, as of December 31, 2018, related to the goodwill on the investment in Alphaville Urbanismo S.A., which is based on expected future economic benefit of the associate. In the process of measurement of recoverable amount, Management uses complex judgements, mostly based on internally-developed assumptions and over a period longer than that formally set in the investee's approved business plan. As to land available for sale, which is recorded, net of provisions for recoverable amount, in the amounts of R$ 74,842 thousand and R$ 78,148 thousand, in the individual and consolidated statements, respectively, there are relevant assumptions on measurement at recoverable amount and maintenance of such assets for a long period in the Company. Considering that the change in the adopted assumptions may give rise to significant effects on the e	