

(A free translation of the original in Portuguese)

***Patrimar
Engenharia Ltda.
Parent company and consolidated
financial statements at
December 31, 2018
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report

To the Management and Quotaholders
Patrimar Engenharia Ltda.

Opinion on the parent company and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and 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 parent company and consolidated financial statements of Patrimar Engenharia Ltda. ("Company"), identified as parent company and consolidated, respectively, which comprise the balance sheet as at December 31, 2018 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the parent company and consolidated financial position of Patrimar Engenharia Ltda. as at December 31, 2018, and the parent company and consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the Brazilian Securities Commission (CVM).

Basis for opinion

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 Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matters

As described in Note 2.1., the parent company and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and the IFRS applicable to Brazilian real estate development entities registered with the CVM. Accordingly, the accounting policies adopted by the Company to recognize revenue from incomplete real estate units under construction, with regards to determining the timing of transfer of control, follows the guidance in the CVM's Circular Letter CVM/SNC/SEP/ No. 02/2018 when applying NBC TG 47 (IFRS 15). Our opinion is not qualified in respect of this matter.

Patrimar Engenharia Ltda.

We draw attention to Note 2.3 to the financial statements, which describes changes to and restatement of the financial statements as originally issued, for the reasons explained therein. Our report dated May 29, 2019, on those financial statements as originally issued, had included a qualified opinion with respect to matters which have since been corrected and are now encompassed by our current updated report.

Key audit matters

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

Our audit for the year ended December 31, 2018 was planned and performed taking into consideration that the operations carried out by Patrimar Engenharia Ltda. and by Patrimar Engenharia Ltda. and its subsidiaries did not present significant changes in comparison with the prior year. The Key Audit Matters, as well as our audit approach, were similar to those in the prior year.



Why it is a Key Audit Matter	How the matter was addressed in the audit
Recognition of revenue from sale of real estate units under construction (Notes 2.18 and 21) The Company and its subsidiaries use the Percentage-of-Completion (PoC) method to recognize revenue from sales of incomplete real estate development project units and from construction services rendered, pursuant to Circular Letter CVM/SNC/SEP/ No. 02/2018, issued by the CVM. The PoC method requires management to estimate costs through to completion of construction and delivery of the real estate units for each stage of the construction. This establishes the proportion of costs incurred to-date in relation to the total estimated costs. The resultant percentage is applied to the fair value of the revenue from real estate units sold or construction services provided, adjusted for contract terms and conditions, to determine the timing of recognition of sales revenue to be recognized in each period. We decided to focus again on this area in our audit because the revenue recognition process is complex and requires critical management estimates and	Our audit procedures included, among other procedures, understanding and testing management's main internal controls used for the recognition of revenue from the sale of real estate units under construction; these include the preparation, approval, and timely review of estimates of costs to be incurred and the monitoring of costs incurred by project. This information was then compared with budgeted costs. We tested, on a sample basis, the budgeted construction project data and costs incurred, by reviewing contracts, tax documents and payments made. We also analyzed the progress of construction works through physical inspections. On a sample basis, we compared the systems input data related to recognition of revenue from the sale of real estate units under construction with the supporting documentation provided by management for recognition of revenue (sale and construction service contracts). We reperformed revenue recognition calculations for sales of units

Patrimar Engenharia Ltda.

Why it is a Key Audit Matter	How the matter was addressed in the audit
judgment in determining and reviewing cost budgets. Any changes in these estimates and judgments may significantly affect the determination of profit or loss.	under construction and compared the amounts to the Company's and its subsidiaries' records. Our audit procedures indicated management's estimates and judgment to be consistent with Circular Letter CVM/SNC/SEP/ na. 02/2018 and with information and documentation obtained.

Provisions for contingencies (Note 18)

In the course of its activities, the Company and its investees are party to civil, tax, and labor judicial discussions and proceedings. Management records a liability when the risk of loss from such proceedings is considered probable; when risk of loss is judged only as possible, no provision is recorded though disclosures of the related circumstances and amounts involved are provided.	Our audit procedures included, among other procedures, understanding the significant internal controls used to identify and record liabilities and the disclosures in the explanatory notes.
We decided to focus again on this area in our audit because the nature of the proceedings usually involve disputes that require management to exercise judgment in relation to the fact patterns. Changes in the classification of the expected likelihood of loss and/or judgment might significantly affect the Company's financial statements.	We also updated our understanding of the calculation method adopted, which takes into consideration the history of unfavorable outcomes in civil and labor proceedings of the same nature, as well as the lawyers' positions who are accompanying the cases.
	Through confirmation procedures with the external legal counsel accompanying the administrative and legal proceedings, we obtained counsels' assessment of the cases, confirmed the completeness of data and appropriateness of provisions and disclosures. For the more significant proceedings, we discussed the related matter with the lawyers as well as with management, to understand the likelihood of loss.
	We consider that the criteria and assumptions adopted by management to determine the provision for contingencies, as well as the relevant disclosures, to be consistent with the advice provided by legal counsel.

Other matters

Statements of value added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2018, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical



Patrimar Engenharia Ltda.

Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS applicable to real estate development entities in Brazil registered with the CMV, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Patrimar Engenharia Ltda.

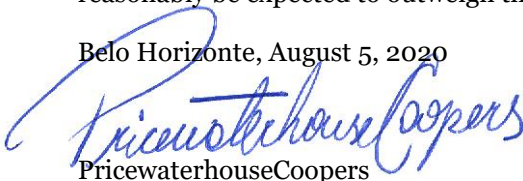
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit work and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

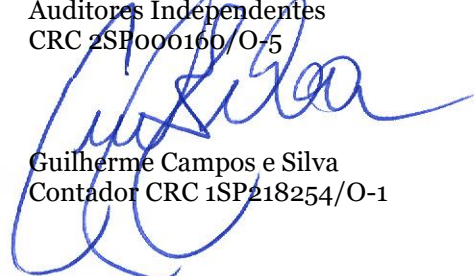
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, August 5, 2020



PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5



Guilherme Campos e Silva
Contador CRC 1SP218254/O-1

Patrimar Engenharia Ltda.

Balance sheet

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	12/31/2018 (Restated) (Note 2.3)	12/31/2017	12/31/2018 (Restated) (Note 2.3)	12/31/2017
Assets					
Current assets					
Cash and cash equivalents	6	2,699	2,419	19,761	17,119
Trade receivables	7	22,318	36,053	70,422	129,660
Properties for sale	8	82,005	50,991	196,670	183,569
Taxes recoverable		742	582	1,271	932
Prepaid expenses		119	723	2,587	1,637
Other receivables		1,884	1,811	2,639	2,285
Total current assets		109,767	92,579	293,350	335,202
Non-current assets					
Long-term receivables					
Trade receivables	7	-	-	-	24,878
Restricted financial investments	6	2,082	1,954	2,082	1,954
Judicial deposits	18	362	67	1,849	190
Properties for sale	8	-	36,093	-	36,093
Related parties	9	19,042	20,294	14,707	11,122
		21,486	58,408	18,638	74,237
Investments	10	129,098	132,695	45,410	48,903
Property and equipment	11	10,915	10,190	13,967	12,602
Intangible assets	12	9,283	635	9,294	635
Total non-current assets		170,782	201,928	87,309	136,377
Total assets		280,549	294,507	380,659	471,579

Patrimar Engenharia Ltda.

Balance sheet

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		12/31/2018 (Restated) (Note 2.3)	12/31/2017	12/31/2018 (Restated) (Note 2.3)	12/31/2017
Liabilities and equity					
Current liabilities					
Borrowings	13	3,547	6,343	10,772	129,130
Trade payables	14	1,382	4,470	2,788	8,058
Salaries and social charges		2,615	2,698	2,843	3,310
Tax liabilities	15	1,557	1,961	5,071	7,486
Real estate purchase obligations	16	12,636	350	13,775	350
Profit distributions payable		-	153	-	153
Advances from customers	17	27,996	3,514	53,393	3,647
Provision for canceled sales		917	263	1,294	2,148
Other payables		416	680	5,077	6,296
Total current liabilities		51,066	20,432	95,013	160,578
Non-current liabilities					
Borrowings	13	35,488	16,512	35,488	16,512
Real estate purchase obligations	16	914	11,600	1,085	11,600
Tax liabilities	15	-	179	-	192
Advances from customers	17	-	43,498	-	43,498
Provision for contingencies	18	1,322	47	2,889	787
Provision for real estate maintenance	19	1,578	857	5,453	6,801
Related parties	9	20,131	30,877	24,711	28,339
Provision for net capital deficiency	10	3,661	1,076	2,759	504
Other payables		-	1,086	-	1,100
Total non-current liabilities		63,094	105,732	72,385	109,333
Total liabilities		114,160	126,164	167,398	269,911
Equity	20				
Capital		179,032	179,032	179,032	179,032
Capital reserves		259	259	259	259
Accumulated deficit		(12,902)	(10,948)	(12,902)	(10,948)
		166,389	168,343	166,389	168,343
Non-controlling interests		-	-	46,872	33,325
Total equity		166,389	168,343	213,261	201,668
Total liabilities and equity		280,549	294,507	380,659	471,579

The accompanying notes are an integral part of these financial statements.

Patrimar Engenharia Ltda.

Statement of income

Years ended December 31

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2018 (Restated) (Note 2.3)	2017	2018 (Restated) (Note 2.3)	2017
Net operating revenue	21	45,967	34,742	181,347	139,620
Cost of properties sold	22	(35,792)	(28,941)	(125,184)	(102,140)
Gross profit		10,175	5,801	56,163	37,480
Operating income (expenses)					
General and administrative expenses	22	(16,956)	(13,225)	(17,886)	(13,739)
Selling expenses	22	(4,460)	(3,014)	(15,212)	(12,753)
Other operating expenses	22	(2,592)	(1,549)	(8,568)	(4,534)
Equity in the results of investees	10	18,526	10,180	-	-
Operating profit		4,693	(1,807)	14,497	6,454
Finance income	24	1,783	3,363	10,444	5,984
Finance costs	24	(2,080)	(586)	(8,712)	(2,262)
Finance income (costs), net		(297)	2,777	1,732	3,722
Equity in the results of investees	10	-	-	4,545	(797)
Profit before income tax and social contribution		4,396	970	20,774	9,379
Income tax and social contribution	25	(506)	(32)	(3,609)	(1,835)
Profit for the year		3,890	938	17,165	7,544
Attributable to:					
Owners of the Company				3,890	938
Non-controlling interests				13,275	6,606
				17,165	7,544

The accompanying notes are an integral part of these financial statements.

Patrimar Engenharia Ltda.

Statement of comprehensive income

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2018	2017	2018	2017
	(Restated) (Note 2.3)		(Restated) (Note 2.3)	
Profit for the year	3,890	938	17,165	7,544
Total comprehensive income	3,890	938	17,165	7,544
Attributable to:				
Owners of the Company			3,890	938
Non-controlling interests			13,275	6,606
			17,165	7,544

The accompanying notes are an integral part of these financial statements.

Patrimar Engenharia Ltda.

Statement of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Attributable to controlling interests				
	Capital	Capital reserve	Retained earnings (accumulated deficit)	Equity	Non-controlling interests
					Total equity
At January 1, 2017	179,032	259	(8,768)	170,523	30,744
Profit for the year	-	-	938	938	6,606
Contributions to subsidiaries by non-controlling interests	-	-	-	-	(4,025)
Distributed retained earnings	-	-	(3,118)	(3,118)	
At December 31, 2017	179,032	259	(10,948)	168,343	33,325
Effects of the adoption of the new standards for investees (Note 2.20)	-	-	(802)	(802)	
Contributions to subsidiaries by non-controlling interests	-	-	-	-	680
Profit for the year	-	-	3,890	3,890	13,275
Distributed profits (Note 20(c))	-	-	(5,042)	(5,042)	(408)
At December 31, 2018 (Restated (Note 2.3))	179,032	259	(12,902)	166,389	46,872

The accompanying notes are an integral part of these financial statements.

Patrimar Engenharia Ltda.

Statement of cash flows

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2018 (Restated) (Note 2.3)	2017	2018 (Restated) (Note 2.3)	2017
Cash flows from operating activities				
Profit for the year	3,890	938	17,165	7,544
Adjustments for non-cash items				
Depreciation and amortization	2,182	640	3,482	2,135
Provision for contingencies	1,298	8	2,102	(2,938)
Provision for real estate maintenance	721	21	(1,348)	(1,330)
Present value adjustment of receivables	(1,191)	1,474	2,606	(1,359)
Provision for losses	1,105	326	1,105	326
Equity in the results of investees	(18,526)	(10,180)	(4,545)	797
Loss on disposal of property and equipment	851	138	1,274	139
Provision for interest on borrowings	1,323	225	6,567	287
Income tax and social contribution	506	32	3,609	1,835
	(7,841)	(6,378)	32,017	7,436
Changes in working capital				
(Increase) decrease in assets and liabilities				
Trade receivables	14,124	(2,829)	82,673	41,532
Inventories	7,484	(46,566)	26,013	(3,487)
Taxes recoverable	(160)	(360)	(339)	(283)
Other assets	(869)	1,581	(6,033)	4,114
Trade payables	(3,088)	1,785	(5,270)	179
Salaries and social charges	(83)	1,705	(467)	1,694
Tax liabilities	(1,089)	(2,879)	(6,216)	(8,319)
Real estate purchase obligations	1,600	11,087	2,910	9,212
Advances from customers	(19,016)	10,277	6,248	4,283
Other liabilities	1,257	(1,114)	(1,197)	7,286
Amounts paid for civil, labor and tax contingencies	(23)	(1,025)	(23)	(3,009)
	137	(28,338)	98,299	53,202
Net cash provided by (used in) operating activities	(7,704)	(34,716)	130,316	60,638
Cash flows from investing activities				
Changes in financial investments	(128)	(344)	(128)	(344)
Advances to related parties	(11,450)	(523)	(9,169)	4,098
Contributions to (return on) investments	24,708	30,118	10,293	8,082
Purchases of property and equipment and intangible assets	(12,406)	(8,073)	(14,780)	(10,485)
Net cash provided by (used in) investing activities	724	21,178	(13,784)	1,351
Cash flows from financing activities				
Distributed profits	(5,192)	(3,272)	(5,192)	(10,657)
New borrowings	31,184	17,533	39,784	38,843
Repayment of principal and payment of interest on borrowings	(18,732)	(8,511)	(148,754)	(101,448)
Non-controlling interests - contribution (distribution), net	-	-	272	(4,025)
Net cash provided by (used in) financing activities	7,260	5,750	(113,890)	(77,287)
Increase (decrease) in cash and cash equivalents, net	280	(7,788)	2,642	(15,298)
Changes in cash				
Cash and cash equivalents at the beginning of the year	2,419	10,207	17,119	32,417
Cash and cash equivalents at the end of the year	2,699	2,419	19,761	17,119
	280	(7,788)	2,642	(15,298)

The accompanying notes are an integral part of these financial statements.

Patrimar Engenharia Ltda.

Statement of value added

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2018	2017	2018	2017
Revenue:				
Revenue from sales and services	46,978	35,041	185,329	141,707
	46,978	35,041	185,329	141,707
Inputs acquired from third parties:				
Cost of properties sold	(35,792)	(28,941)	(125,184)	(102,140)
Electricity, third-party services and other expenses	(5,788)	(3,998)	(21,356)	(17,094)
	(41,580)	(32,939)	(146,540)	(119,234)
Gross value added	5,398	2,102	38,789	22,473
Retentions:				
Depreciation and amortization	(2,182)	(640)	(3,482)	(2,135)
Net value added generated by the Company	3,216	1,462	35,307	20,338
Value added received through transfers:				
Equity in the results of investees	18,526	10,180	4,545	(797)
Finance income	1,783	3,363	10,444	5,984
	20,309	13,543	14,989	5,187
Total value added for distribution	23,525	15,005	50,296	25,525
Distribution of value added:				
Personnel	10,295	9,275	10,525	9,497
	10,295	9,275	10,525	9,497
Taxes and contributions	1,887	384	8,113	2,383
Remuneration of third-party capital				
Finance costs	2,080	586	8,712	2,262
Lease expenses	334	704	334	721
	2,414	1,290	9,046	2,983
Remuneration of own capital:				
Dividends	5,039	3,118	5,447	3,118
Profit for the period/year	3,890	938	3,890	938
Non-controlling interests - retained earnings	-	-	13,275	6,606
	8,929	4,056	22,612	10,662
Value added distributed	23,525	15,005	50,296	25,525

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

Patrimar Engenharia Ltda.

Notes to the financial statements at

December 31, 2018

All amounts in thousands of reais unless otherwise stated

1 Operations

Patrimar Engenharia Ltda. ("Patrimar" or the "Company") is a limited liability partnership organized under the Brazilian corporation laws. The Company is headquartered in the city of Belo Horizonte, state of Minas Gerais, Brazil, at Rodovia Stael Mary Bicalho Motta Magalhães, 521, 17th floor, Belvedere District.

Patrimar is a real estate development and construction company with a focus on residential developments; it primarily operates in Belo Horizonte, Rio de Janeiro and São Paulo.

The Company was founded in 1968, and performs its development and construction activities through Special Partnerships (SCPs) and Special-Purpose Entities (SPEs) in the normal course of business in order to enable the establishment of partnerships, thereby permitting it to accompany projects individually, facilitate the obtaining of financing for production and improve the financial and accounting control of the projects. The Company and its subsidiaries (together, the "Group") operate exclusively in the real estate sector and each subsidiary is associated with a specific venture.

The issue of these financial statements was authorized by management on August 5, 2020.

2 Financial statement presentation and summary of significant accounting policies

2.1. Basis of preparation

The parent company and consolidated financial statements have been prepared in accordance with accounting policies adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to real estate development entities in Brazil, as approved by the Brazilian Accounting Pronouncements Committee (CPC), the Brazilian Securities Commission (CVM) and the Federal Accounting Council (CFC), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

Aspects related to the transfer of ownership for recognition of revenue upon sale of real estate properties are consistent with the guidance issued by the CVM in Circular Letter CVM/SNC/SEP/No. 02/2018 for adoption of Technical Pronouncement CPC 47 (IFRS 15).

The financial statements have been prepared under the historical cost convention and, for certain financial assets and liabilities, measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and consolidated financial statements, are disclosed in Note 3.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

(a) Statement of value added

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The Statement of Value Added was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added", while it is not required by IFRS. Therefore, under IFRS, the presentation of such statements is considered supplementary information.

2.2. Consolidation

The Company consolidates all entities which it controls, that is, when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to direct the significant activities of the investee.

The subsidiaries included in the consolidated financial statements are presented in Note 10.

(a) Subsidiaries

Subsidiaries are all entities (including special-purpose entities and special partnerships) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Group. The purchase consideration includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity, in "Cumulative translation adjustments".

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in Other comprehensive income in respect of that entity are reclassified to profit or loss.

(c) Associates and jointly-controlled investees

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements are all entities over which the Group shares control with one or more parties. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint arrangements are accounted for in the financial statements in a manner consistent with the Group's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are individually accounted for in its financial statements.

Investments in associates and jointly-controlled investees are accounted for on the equity method and are initially recognized at cost.

The Company's share of the profit or loss of its associates and jointly-controlled investees is recognized in the statement of income and its share of reserve movements is recognized in the Company reserves. When the Company's share of losses in an associate or jointly-controlled investee equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled investee.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in Other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates and jointly-controlled investees are recognized in the statement of income.

2.3. Restatement of comparative financial statements and related adjustments in relation to the financial statements at December 31, 2018

The Company is disclosing on this same date the financial statements at December 31, 2017 and 2016, including adjustments in relation to the financial statements, as originally presented on May 29, 2019. The restated financial statements for the years ended December 31, 2018, 2017 and 2016 include, in addition to the adjustments described in the paragraphs below, changes made by management with respect to the improvements required by the Brazilian Corporation Law for listed companies, including IFRS.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

CPC 30 (IAS 18) has been replaced with CPC 47 (IFRS 15). The standard provides guidance for the transfer of control over the promise of goods or services, determining when control is transferred, at a single point or over time, as contractual performance obligations are satisfied.

Pursuant to CVM Circular Letter/CVM/SNC/SEP/No. 02/2018, issued by the CVM on the adoption of NBC TG 47 (IFRS 15), the Company has concluded that there has been a continuous transfer of risks and rewards of ownership and, consequently, that the revenue recognition criterion over time, also known as Percentage-of-Completion (POC), is the most appropriate method, and such procedure has remained unchanged.

However, the same document considers the predictive adjustment when revenue does not present a degree of reliability regarding the receipt by an entity of the cash flows for recognized revenue. Based on its assessment, the Company made adjustments to the opening balance sheet to the "Provision for canceled sales".

There were also adjustments made to the financial statements at December 31, 2018, 2017 and 2016, related to the indexation of the allocation of construction costs of the Acqua Galleria project of subsidiary MRV Patrimar Galleria Incorporação SPE Ltda., which had previously been allocated on a straight line basis to the units constructed; these new take into account the different ideal share of each apartment, as well as the reclassifications between current and non-current assets and liabilities and in the revaluation of the useful life of its assets and its prospects for future cash generation. The useful life of leasehold improvements, previously estimated at 25 years, was adjusted to five years. The balance of land owned by the parent company, previously recognized as transactions between investors and investees, recorded under "Related parties", was reclassified to "Inventories of land".

As a result, the restatement of the financial statements at December 31, 2018, 2017 and 2016, gave rise to the following effects on the 2018 financial statements, which are being reissued, which originally prepared and disclosed by the Company's management on May 29, 2019:

	Parent company			Consolidated		
	December 31, 2018			December 31, 2018		
	As originally presented	Adjust- ment	Restated	As originally presented	Adjust- ment	Restated
Assets						
Current assets						
Trade receivables	11,349	10,969	22,318	34,641	35,781	70,422
Inventories	72,392	9,613	82,005	203,726	(7,056)	196,670
Related parties	25,651	(25,651)	-	35,283	(35,283)	-
	114,836	(5,069)	109,767	299,908	(6,558)	293,350
Non-current assets						
Trade receivables	14,802	(14,802)	-	42,246	(42,246)	-
Related parties	-	19,042	19,042	-	14,707	14,707
Investments	141,075	(10,533)	130,542	47,483	(629)	46,854
Property and equipment	11,850	(935)	10,915	14,903	(936)	13,967
	179,454	(7,228)	172,226	117,857	(29,104)	88,753
Total assets	<u>294,290</u>	<u>(12,297)</u>	<u>281,993</u>	<u>417,765</u>	<u>(35,662)</u>	<u>382,103</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

	Parent company			Consolidated		
	December 31, 2018			December 31, 2018		
	As originally presented	Adjust- ment	Restated	As originally presented	Adjust- ment	Restated
Liabilities and equity						
Current liabilities						
Advances from customers	4,442	23,554	27,996	16,854	36,539	53,393
Real estate purchase obligations	1,836	10,800	12,636	2,975	10,800	13,775
Related parties	1,994	(1,994)	-	20,539	(20,539)	-
Provision for canceled sales	-	917	917	-	1,294	1,294
Other payables	154	262	416	4,850	227	5,077
	<u>17,527</u>	<u>33,539</u>	<u>51,066</u>	<u>66,692</u>	<u>28,321</u>	<u>95,013</u>
Non-current liabilities						
Advances from customers	23,554	(23,554)	-	36,539	(36,539)	-
Real estate purchase obligations	11,714	(10,800)	914	11,885	(10,800)	1,085
Provision for contingencies	1,194	128	1,322	2,762	127	2,889
Provision for net capital deficiency	2,672	2,433	5,105	1,770	2,433	4,203
Related parties	18,069	2,062	20,131	18,070	6,641	24,711
	<u>94,269</u>	<u>(29,731)</u>	<u>64,538</u>	<u>111,967</u>	<u>(38,138)</u>	<u>73,829</u>
Equity						
Capital and reserves	179,291	-	179,291	179,291	-	179,291
Retained earnings (accumulated deficit)	3,203	(16,105)	(12,902)	3,203	(16,105)	(12,902)
Non-controlling interests	-	-	-	56,611	(9,739)	46,872
	<u>182,494</u>	<u>(16,105)</u>	<u>166,389</u>	<u>239,105</u>	<u>(25,844)</u>	<u>213,261</u>
Total equity	<u>182,494</u>	<u>(16,105)</u>	<u>166,389</u>	<u>239,105</u>	<u>(25,844)</u>	<u>213,261</u>
Total liabilities and equity	<u>294,290</u>	<u>(12,297)</u>	<u>281,993</u>	<u>417,765</u>	<u>(35,662)</u>	<u>382,103</u>
	Parent company			Consolidated		
	December 31, 2018			December 31, 2018		
	As originally presented	Adjust- ment	Restated	As originally presented	Adjust- ment	Restated
Net operating revenue	45,655	312	45,967	182,003	(656)	181,347
Cost of properties sold	(35,792)	-	(35,792)	(122,729)	(2,455)	(125,184)
Gross profit	<u>9,863</u>	<u>312</u>	<u>10,175</u>	<u>59,274</u>	<u>(3,111)</u>	<u>56,163</u>
Operating income (expenses)						
General and administrative expenses	(15,267)	(1,689)	(16,956)	(16,197)	(1,689)	(17,886)
Selling expenses	(4,460)	-	(4,460)	(15,212)	-	(15,212)
Equity in the results of investees	23,036	(4,510)	18,526	-	-	-
Other income (expenses)	(2,263)	(329)	(2,592)	(6,515)	(2,053)	(8,568)
Operating profit	<u>10,909</u>	<u>(6,216)</u>	<u>4,693</u>	<u>21,350</u>	<u>(6,853)</u>	<u>14,497</u>
Finance income (costs), net	894	(1,191)	(297)	(874)	2,606	1,732
Equity in the results of investees	-	-	-	8,655	(4,110)	4,545
Profit (loss) before income tax	<u>11,803</u>	<u>(7,407)</u>	<u>4,396</u>	<u>29,131</u>	<u>(8,357)</u>	<u>22,774</u>
Income tax and social contribution	(506)	-	(506)	(3,609)	-	(3,609)
Profit (loss) for the year	<u>11,297</u>	<u>(7,407)</u>	<u>3,890</u>	<u>25,522</u>	<u>(8,357)</u>	<u>17,165</u>
Attributable to:						
Owners of the Company				11,297	(7,407)	3,890
Non-controlling interests				14,225	(950)	13,275
				<u>25,522</u>	<u>(8,357)</u>	<u>17,165</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

2.4. Foreign currency translation

(a) Functional and presentation currency

The parent company and consolidated financial statements are presented in Brazilian Real/Reais (R\$), which is the Company's functional currency and also the Group's presentation currency. All financial information presented in Brazilian Reais has been rounded up to the nearest thousand Reais unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "Finance income or costs". All other foreign exchange gains and losses are presented in the statement of income within "Other gains (losses), net".

2.5. Financial assets

2.5.1. Classification

The Group classifies its financial assets in the following measurement categories:

- . Measured at fair value through profit or loss.
- . Measured at amortized cost.

The Group classifies the following financial assets at fair value through profit or loss:

- . Debt investments that do not qualify for measurement at amortized cost
- . Equity investments held for trading; and equity investments for which the entity has not elected to recognize fair value gains and losses through Other comprehensive income.

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through Other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.5.2. Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, that is, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

2.5.3. Impairment of financial assets

The Group assesses on a prospective basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through Other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.6. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits and other short-term highly liquid investments maturing in up to three months, with immaterial risk of change in value.

2.7. Trade receivables

Trade receivables are represented by current and non-current receivables from sales of residential real estate units that are completed or to be completed.

Receivables related to units launched, but not completed, are determined by applying the percentage-of-completion (POC) to revenue from units sold, adjusted according to the terms of the sales contracts (indexation accruals), by deducting the amount of the installments received. If the balance of the installments received is higher than the accumulated revenue recognized, the balance is classified as advances from customers and recorded in liabilities.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment of trade receivables.

The result of sales on credit of completed units is appropriated at the time of the sale, regardless of the contracted payment terms of the sale.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are presented as non-current assets.

2.8. Provision for canceled sales

The Group records a provision for canceled sales when uncertainties are identified regarding the receipt of future cash flows by the entity. These adjustments are linked to revenue recognition when there is a degree of uncertainty regarding the receipt by an entity of the cash flows for recognized revenue.

Contracts are monitored to determine the time these conditions are mitigated. Absent being mitigated, no revenue or cost is recognized in profit or loss, and amounts are recorded in asset and liability accounts only.

Inventories (properties for sale)

Land for future development

Inventories of land are recorded at historical formation cost, which includes all related expenses, directly linked and measurable, including barter transactions calculated at fair value, plus any financial charges generated by their corresponding accounts payable. Land can be acquired through partnerships with landowners (physical exchanges and financial exchanges).

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Physical exchanges: The fair value of land is recorded as a component of inventory of land for properties for sale, with a corresponding entry to "Advances from customers" at the time of signing a private instrument or when the conditions of any termination clauses of the contracts have been met. Revenue arising from barter transactions is allocated to profit or loss over the real estate construction period.

Financial exchanges: In barter transactions involving financial exchanges, the Group transfers a percentage of the sales amount to the sellers of the land. This amount is recorded as a component of inventory of land for properties for sale, as a corresponding entry to accounts payable, at the time of signing the private instrument, the contract related to the transaction, or when the conditions of any termination clauses of the contracts have been met.

The measurement of the fair value of land acquired through barter transactions is defined in connection with the contractual commitments assumed and the budgeted costs defined in the project's feasibility study, the amount of which may vary up to the time of defining the project to be developed, which is usually confirmed on the development registration. At this time, the related burden is recognized in "Advances from customers - barter transactions".

Inventories of land to be developed are classified according to the expected launch of the project. If the project to which the land is linked is expected to be launched in the following 12 months, the land is classified in current assets. Otherwise, it is classified in non-current assets.

Land is only registered on the formalization of the title deed, and is not recognized in the financial statements during the negotiation process, regardless of the probability of success or of the progress of the negotiation.

Properties for sale

The properties ready to be sold are stated at construction cost, which is lower than net realizable value. In the case of real estate in construction, the amount in inventory corresponds to the cost incurred of the units not yet sold.

Cost comprises the land's cost of acquisition/barter, legalization and other expenses related to the project, materials, labor (own or outsourced) and other construction-related costs, including the finance cost of the capital invested (finance expense on payables for purchases of land and on financing incurred during the construction period).

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated selling expenses.

2.9. Property and equipment

Property and equipment is stated at acquisition or construction cost, less depreciation. Depreciation is calculated using the straight-line method, at tax rates, which are similar to the estimated useful life.

Subsequent costs are incorporated into the residual amount of property and equipment or recognized as a specific item, as appropriate, only if the economic benefits associated with these items are considered probable and amounts can be reliably measured. The residual balance of the item replaced, sold or transferred to another unit is written off. Repair and maintenance costs are recognized directly in profit or loss as incurred. The residual value of property and equipment items is immediately reduced to its recoverable amount when the residual balance exceeds its recoverable amount.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

The expenditures directly related to the construction of sales stands and apartment-models (furniture and decoration) are treated as property and equipment, and are depreciated in accordance with the term of the estimated useful lives of these items. The useful life of these items usually covers the period from the launch to the beginning of construction. When the estimated useful life does not exceed 12 months, expenses are directly recorded in profit or loss as selling expenses.

Gains or losses on disposals are determined by comparing the amounts of sales with the carrying amounts and are recognized within "Other gains (losses), net" in the statement of income.

2.10. Intangible assets

Computer software licenses purchased are capitalized on the basis of the costs incurred to purchase and bring to use the specific software. These costs are amortized over their estimated useful lives of five years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

2.11. Impairment of non-financial assets

Property and equipment and intangible assets and, where applicable, other non-financial assets, are reviewed annually by management for impairment, primarily evaluating internal and external indicators affecting recovery of these assets, whenever events or significant changes in circumstances indicate that the carrying amount may not be recoverable. Accordingly, if the carrying amount of an asset exceeds its recoverable amount, which is defined as the higher amount between an asset's value in use and the asset's net sale value, a loss is recognized in the statement of income for the period.

Pursuant to CPC 01, management assessed the assets subject to review for impairment and did not identify any internal and/or external indicators affecting the recovery of these assets for the years ended December 31, 2018 and 2017.

2.12. Borrowings

Borrowings are recognized initially at the transaction price (that is, the amount received from the bank, including transaction costs). Borrowings are subsequently stated at amortized cost.

Interest expense is recognized on the basis of the effective interest method over the life of the borrowing to ensure that the carrying amount on the maturity date corresponds to the amount due. Interest is included in finance costs, except for that linked to qualifying assets, incurred during their construction period, which is allocated to the related asset.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.13. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. They are classified as current liabilities if payment is due in one year or less.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Income tax and social contribution on net income

The income tax and social contribution benefit or expense for the period comprise current and deferred taxes. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

The current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted at the end of the reporting period. Management periodically evaluates positions taken in the calculation of income taxes with respect to situations in which the applicable tax regulation is subject to interpretation, and it establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.

Deferred taxes are estimated using the rate established by law on the difference between the revenue calculated for accounting purposes and the actual cash receipts (taxation regime, based on Law 1,435/13, which established the Special Taxation Regime).

The Company segregates these taxes between current and non-current liabilities taking into account the allocation of the amounts receivable from properties sold in current and non-current assets, considering that when all amounts from completed and uncompleted units have been received there will be no difference between accounting and tax criteria.

The Company and its subsidiaries calculate Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) based on taxable income, deemed profit or the special taxation regime (RET), as detailed below:

- Taxable income method - IRPJ is computed based on the rates of 15%, plus a surcharge of 10% on taxable income exceeding R\$ 240 annually for income tax and 9% on taxable income for social contribution.
- Deemed profit method - IRPJ and CSLL for each entity is computed by applying to revenues from real estate development the tax rates set for this activity at the rates of 8% and 12%, respectively. Deemed profit applicable income and social contribution rates were applied at the reporting date (15% plus a surcharge of 10% on annual taxable income exceeding the amount of R\$ 240 annually for IRPJ and 9% on taxable income for CSLL).

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

- Special Taxation Regime (RET) - Adopted for certain projects developed by the Company and its subsidiaries. As permitted by Law 12,024 of August 27, 2009, which amended Law 10,931/2004 that established RET, an option was made to include them in the segregated assets structure and adopt the RET regime. For these developments, consolidated charges related to IRPJ and CSLL, Social Contribution on Revenues (COFINS) and Social Integration Program (PIS) are calculated at the aggregate rate of 4% on gross revenues, of which 1.92% for IRPJ and CSLL and 2.08% for PIS and COFINS; on revenue relating to the *Minha Casa Minha Vida* (My House My Life) Program, for units up to R\$100 the aggregate rate applied is 1% on gross revenues, of which 0.47% for IRPJ and CSLL and 0.53% for PIS and COFINS.

2.14. Provisions

Provisions are recorded when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate before tax effects that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.15. Capital

Capital comprises fully subscribed and paid-up quotas with a par value of R\$0.01 each.

2.16. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, cancellations, rebates and discounts and, in the consolidated financial statements, after eliminating sales within the Company.

The Group recognizes revenue at the fair value of sales contracts when specific criteria are met, as described below:

(a) Revenue from the sales of properties

For sales of units under construction the guidance Circular Letter/CVM/SNC/SEP No. 02/2018 for adoption of Technical Pronouncement CPC 47 (IFRS 15) was followed.

This standard, coupled with the applicable accounting procedures established by Guideline OCPC 01 (R1) - "Real Estate Development Companies", was used as a parameter for recognition of revenue from the sale of units under construction:

- The costs incurred on units sold (including land) are fully appropriated to the cost of sales.
- The percentage of the incurred cost of units sold, including land, in relation to their total estimated cost (POC) is computed, and this percentage is applied to the fair value of the revenue from units sold (including the fair value of barter made for land), adjusted according to the terms of the sales contracts, thereby obtaining the amount of revenue to be recognized.
- The amounts of the sales revenues determined, including indexation accruals on trade receivables based on the change in the National Civil Construction Index (INCC), net of the installments

Patrimar Engenharia Ltda.

Notes to the financial statements at

December 31, 2018

All amounts in thousands of reais unless otherwise stated

received (including the fair value of barter made for land), are accounted for as trade receivables, or as advances from customers, when applicable.

- The fair value of revenue from units sold is calculated at the present value based on the interest rate for the remuneration indexed to the INCC between the date the agreement is signed and the date scheduled for the delivery of the completed unit to the purchaser (as from that date, trade receivables are subject to interest of 12% per annum plus indexation accruals). The interest rate for the remuneration of government bonds indexed to the INCC is compatible with the nature, term and risks of similar transactions under market conditions, with an average rate of 6% p.a. for the years ended December 31, 2018 and 2017. Subsequently, as time elapses, interest is incorporated into the new fair value for the calculation of the revenue to be appropriated, on which the POC will be applied.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, the estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the statement of income in the period in which the circumstances that give rise to the revision become known to management.

The amounts received for sales of units under construction of the launched real estate projects that are still subject to the effects of the related resolutive clause contained in the development deed, are classified as advances from customers.

After the delivery of the units sold, trade receivables accrue indexation based on the variation of the General Market Price Index (IGP-M) or the Amplified Consumer Price Index (IPCA), plus interest of 1% per month, calculated on a pro rata temporis basis. In this phase, interest/indexation accruals are recorded as finance income using the effective interest rate method and are no longer part of the basis for the calculation of sales revenue.

In the case of sales of completed units, sales revenue is recognized upon delivery of the completed unit, when the most significant risks and rewards of ownership are transferred.

(b) Service revenue

The parent company provides construction management services to subsidiaries.

Revenue from services is recognized in the period the services are rendered, using the straight-line method to recognize the revenue in proportion to the costs incurred on the real estate development which is being managed.

(c) Finance income

Interest income is recognized on the accrual basis, using the effective interest rate method.

When the unit is completed, trade receivables are subject to interest/indexation accruals, which are appropriated, as time goes by, to interest income.

2.17. Selling expenses

The expenses with advertising, marketing, promotions and other selling expenses are not considered as construction costs of the property and are recognized and allocated in the statement of income as incurred.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Expenses incurred in sales stands and apartment-models, including their construction, decoration and furniture, are recognized as property and equipment, provided that the estimated useful lives exceed 12 months, and their depreciation is recognized in the statement of income as selling expenses during their useful lives.

Expenses related to commissions paid to brokers for the sales of the units of each project are recognized in the statement of income based on the same criterion adopted for the recognition of revenues and costs of units sold.

2.18. Adoption of new accounting pronouncements

The following amendments and interpretations to existing standards effective for the year beginning on January 1, 2018, had no significant impacts on the Group's financial statements:

- (i) IFRS 9/CPC 48 - "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. The main amendments introduced by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for impairment of financial assets, which is hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for the adoption of the hedge accounting.

The impacts of the new criteria for the classification of financial assets are described below:

Financial assets/liabilities	Classification based on CPC 38	Classification based on CPC 48
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial investments with immediate liquidity	Loans and receivables	Amortized cost
Restricted financial investments	Fair value through profit or loss	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Related parties	Loans and receivables	Amortized cost
Trade payables	Other financial liabilities	Amortized cost
Real estate purchase obligations	Other financial liabilities	Amortized cost
Related parties	Other financial liabilities	Amortized cost

The Company recognized the effects of adopting IFRS 9/CPC 48 in the jointly-controlled investee SPE Barbacena Empreendimentos Imobiliários S.A., in the amount of R\$802, as described in item 7.2.15 of CPC 48 (IFRS 9), and elected not to restate information related to previous periods, thus recognizing the impact from the initial adoption in Equity on January 1, 2018.

- (ii) IFRS 15/CPC 47 - "Revenue from Contracts with Customers" - This new standard replaces CPC17/ IAS 11 - "Construction Contracts", CPC 30/ IAS 18 - "Revenue" and related interpretations and introduces the principles to be applied by an entity to determine revenue measurement and recognition. It is based on the principle that revenue is recognized when the control of goods or services is transferred to a customer, so the control principle will replace the principle of risks and rewards. Pursuant to CPC 47/IFRS 15, the CVM issued a Circular Letter in which it ratifies that the POC on an over time basis is in compliance with CPC 47/IFRS 15, and establishes that the Company's management is responsible for determining the revenue recognition criterion. Based on this understanding and on the Company's business model, the Company has continued to adopt the POC method for revenue recognition.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

2.19. Amendments to existing standards that are not yet effective

The following amendments to existing standards were issued by the IASB, but are not effective for 2018. The early adoption of standards, even though encouraged by the IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

(a) CPC 06 (R2)/IFRS 16 - "Leases"

The new standard requires lessees to recognize the liability for the future payments and the right-of-use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and

measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17 - "Leases" and corresponding interpretations.

The contracts in which the Company is the lessee have been reviewed and the expectation so far is that the main effect relates to the lease of the building where the Company is headquartered. The adoption of the new criteria may impact the Company's financial position as from January 1, 2019, with an increase of approximately R\$2,025 in non-current assets, as well as R\$2,025 in current and non-current liabilities, referring to the present value of the rights-of-use of the leased assets and the related lease liabilities.

(b) ICPC 22 - "Uncertainty over Income Tax Treatments"

The standard describes how to determine the tax and accounting position when there is uncertainty over income tax treatments. The interpretation requires that the Group:

- Determines whether uncertain tax positions are assessed separately or as a group; and
- Assesses whether the taxing authority is likely to accept the use of an uncertain tax treatment, or its proposed use, by a company in its income tax returns:

If so, the Group must determine its tax and accounting position consistently with the tax treatment used or to be used in its income tax returns.

If not, the Group must reflect the effect of the uncertainty in determining its tax and accounting position.

This interpretation is effective for annual periods beginning on or after January 1, 2019. The Group may adopt the interpretation on the basis of the full retrospective approach or the modified retrospective approach without restating comparative information retrospectively or prospectively.

3 Critical accounting estimates and judgments

Based on assumptions, the Group makes estimates concerning the future. The estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

(i) Budgeted costs

Total budgeted costs, including costs incurred or expected to be incurred during the completion of the construction, are regularly reviewed with reference to the percentage of completion of the works, and adjustments based on this review are reflected in the Group's results as determined.

(ii) Recognition of revenue from real estate units under construction

The Company and its subsidiaries use the POC method to account for their contracts for the sale of real estate units and provision of services. The use of the POC method requires the Group to estimate the costs to be incurred up to the completion of construction and the delivery of the real estate units of each real estate development, to establish a proportion in relation to the costs already incurred. Revenue is calculated by multiplying this percentage (POC) by the fair value of the revenue from sales already contracted. Accordingly, revenue is recognized continuously throughout the construction phase of the real estate development. This determination requires an estimate and the use of significant judgment by management.

(iii) Provision for contingencies

Provisions for civil, labor and tax contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, the amounts can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the amount required to settle the obligation at the end of each reporting period, taking into consideration the risks and uncertainties related to the obligation.

When some or all of the economic benefits required for the settlement of a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is certain and the amount can be reliably measured.

(iv) Provision for canceled sales

The provision for canceled sales is based on assumptions that consider the history and prospects of expected losses, and on the individual review of sales contracts.

Such assumptions are reviewed annually to consider any changes in circumstances and history.

(v) Adjustment to present value

Long-term monetary assets and liabilities are adjusted to present value taking into consideration the contracted cash flows, the express interest rate of the respective assets and liabilities and the market rates for similar transactions.

(vi) Provision for real estate maintenance

A provision recorded during construction to cover expenses with repairs in developments completed and covered by an average warranty period of five years, as from the delivery date. The real estate whose occupancy permit has already been issued and registered is considered a completed real estate.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by senior management. These policies are established to identify and analyze the risks to which the Group is exposed (foreign exchange risk, interest rate risk, credit risk and investment of surplus cash), to define the risk limits and proper controls, and to monitor risks and adherence to defined limits.

Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management rules and procedures, seeks to maintain an environment of discipline and control in which all employees are aware of their duties and obligations.

(a) Credit risk

This is the risk that the Company may incur losses arising from a customer or a counterparty on a financial instrument, due to their failure to comply with their contractual obligations, as well as on deposits with banks and other financial institutions. Individual risk limits are set based on internal or external ratings in accordance with limits approved by management. The credit analysis department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The carrying value of the financial assets is the maximum exposure to credit risk.

The utilization of credit limits is regularly monitored by Treasury and credit risk is managed on a Group basis. For investments in banks and other financial institutions, only independently rated parties with a minimum rating of "Good" in the rating scale are accepted.

Individual risk limits are set based on internal or external ratings in accordance with limits set by management. These limits are set aiming at minimizing risk concentration and, therefore, mitigating the risk of loss in the event of a potential bankruptcy of a counterparty.

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings (when available) or to historical information about counterparty default rates.

The Company considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties and the related internal reviews.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Trade receivables

	Parent company		Consolidated	
	2018	2017	2018	2017
Units delivered:	844	1,988	45,090	97,534
With statutory lien	844	1,988	45,090	97,534
Units under construction:	27,470	36,731	35,863	63,598
With statutory lien	27,470	36,731	35,863	63,598
	28,314	38,719	80,953	161,132

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Group will have difficulty in complying with its obligations associated with its financial liabilities that are settled in cash or other financial assets. The Group's approach to managing liquidity is to ensure and maximize management so that it will always have sufficient liquidity to comply with its obligations as they fall due, under normal or stress conditions, without incurring unacceptable losses or adversely affecting the Group's reputation.

The forecast of cash flows is made by the Group's Treasury department, which monitors the continuous forecasts of the requirements of liquidity to ensure that it has sufficient cash at an amount that is higher than the required cash outflows to settle the financial liabilities (except for "Trade payables") for the following 30 days.

The current cash flows of financial liabilities based on the approximate date of settlement of the related obligations are as follows:

	Parent company				Total
	Less than one year	Between one and two years	Between two and three years	Over three years	
At December 31, 2018					
Borrowings (Note 13)	3,547	5,470	4,233	25,785	39,035
Trade payables (Note 14)	1,382				1,382
Real estate purchase obligations (Note 16)	12,636	914	-	-	13,550
	Consolidated				Total
	Less than one year	Between one and two years	Between two and three years	Over three years	
At December 31, 2018					
Borrowings (Note 13)	10,772	5,470	4,233	25,785	46,260
Trade payables (Note 14)	2,788				2,788
Real estate purchase obligations (Note 16)	13,775	1,085	-	-	14,860

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

	Parent company				Total
	Less than one year	Between one and two years	Between two and three years	Over three years	
At December 31, 2017					
Borrowings (Note 13)	6,343	16,512			22,855
Trade payables (Note 14)	4,470				4,470
Real estate purchase obligations (Note 16)	350	11,600			11,950
	Consolidated				Total
	Less than one year	Between one and two years	Between two and three years	Over three years	
At December 31, 2017					
Borrowings (Note 13)	129,130	16,512			145,642
Trade payables (Note 14)	8,058				8,058
Real estate purchase obligations (Note 16)	350	11,600			11,950

The Group has financial assets (essentially represented by cash, cash equivalents, and trade receivables for real estate development) that it considers sufficient to honor its commitments arising from its operating activities.

(c) Market risk

The Group is mainly engaged in the development, construction and sale of real estate ventures. In addition to the risks that generally affect the real estate market, such as supply interruptions and volatility in the price of construction materials and equipment, changes in the supply and demand for real estate developments in certain regions, strikes and environmental and zoning regulations, the activities of the Group are specifically affected by the following risks:

(i) Interest rate risk exposure

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate shift.

The Group has financial investments earning interest indexed to the Interbank Deposit Certificate (CDI) rate, and borrowings from third parties bearing interest linked to the CDI rate and the Reference Rate (TR).

Borrowings linked to the TR rate were not considered in the sensitivity test, as this index has been 0.00% since September 2017, with no prospects of change.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

At December 31, 2018, management performed a sensitivity analysis for a 12-month scenario, considering a decrease of 25% and 50% in the CDI rates (probable scenario of 6% p.a.):

						Parent company	Consolidated				
Indicators	Index	Rate	Base Scenario	Scenario I Probable	Scenario II (25%)	Scenario III (50%)	Rate	Base Scenario	Scenario I Probable	Scenario II (25%)	Scenario III (50%)
Assets											
Financial investments	CDI	6.04%	2,238	135	101	68	6%	16,659	1,006	755	503
Liabilities											
Borrowings for working capital (R\$)	CDI	6.04%	16,150	976	732	488	6%	16,150	976	732	488

4.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for quotaholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure of the Company, management can make, or may propose to the quotaholders when their approval is required, adjustments to the amount of profit distributed to quotaholders, return capital to quotaholders, make payments of new quotas or sell assets to reduce, for example, debt.

In common with others in the sector, the Company monitors its capital on the basis of the gearing ratio, which corresponds to net debt divided by total capitalization. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents and financial investments. Total capitalization is calculated as equity as shown in the balance sheet plus net debt.

	Parent company		Consolidated	
	2018	2017	2018	2017
Total borrowings (Note 13)	39,035	22,855	46,260	145,642
Less: cash and cash equivalents (Note 6)	(2,699)	(2,419)	(19,761)	(17,119)
Net debt	36,336	20,436	26,499	128,523
Total equity	166,389	168,343	213,261	201,668
Total capitalization	202,725	188,779	239,760	330,191
Gearing ratio - %	18%	11%	11%	39%

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

4.3 Fair value estimation

The Group adopts the measurement at fair value of its financial assets and liabilities. Fair value is measured at market value based on assumptions on which market participants can measure an asset or liability. To increase coherence and comparability, the fair value hierarchy prioritizes the inputs used in measurement considering three major levels, as follows:

- **Level 1. Active market:** Quoted market price - A financial instrument is considered to be quoted in an active market if quoted prices are readily and regularly available from an exchange or organized over-the-counter market, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent regularly occurring market transactions on an arm's length basis.
- **Level 2. No active market:** Valuation techniques - If the market for a financial instrument is not active, fair value is established by using valuation/pricing techniques. These techniques may include reference to the fair value of another instrument that is substantially the same, discounted cash flows and option pricing models. The purpose of the valuation technique is to establish what the transaction price would be on the measurement date in an interest-free exchange motivated by business considerations.
- **Level 3. No active market:** Equity instruments - Fair value of investments in equity instruments that do not have market prices quoted in an active market and of derivatives that are linked to them and that must be settled by the delivery of unquoted equity instruments.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. If all significant inputs required to fair value an asset or liability are observable, it is included in Level 2.

The Group does not have financial assets measured at fair value.

5 Financial instruments by nature

	Parent company		Consolidated	
	2018 (Restated) (Note 2.3)	2017	2018 (Restated) (Note 2.3)	2017
Financial assets				
Measured at amortized cost				
Cash at bank and on hand	2,543	328	5,184	6,769
Highly liquid financial investments	156	2,091	14,577	10,350
Restricted financial investments	2,082	1,954	2,082	1,954
Trade receivables	22,318	36,053	70,422	154,538
Related parties	19,042	20,294	14,707	11,122
Judicial deposits	362	67	1,849	190
	<u>46,503</u>	<u>60,787</u>	<u>108,821</u>	<u>184,923</u>
Financial liabilities				
Measured at amortized cost				
Borrowings	39,035	22,855	46,260	145,642
Trade payables	1,382	4,470	2,788	8,058
Real estate purchase obligations	13,550	11,950	14,860	11,950
Related parties	20,131	30,877	24,711	28,339
	<u>74,098</u>	<u>70,152</u>	<u>88,619</u>	<u>193,989</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

6 Cash and cash equivalents and restricted financial investments

Cash and cash equivalents

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash	44	64	47	106
Banks	2,499	264	5,137	6,663
Highly liquid financial investments	156	2,091	14,577	10,350
	<u>2,699</u>	<u>2,419</u>	<u>19,761</u>	<u>17,119</u>

The yields on financial investments are linked to bank deposits and other short-term highly liquid investments with immaterial risk of change in value, and range from 95% to 106% of the CDI rate (95% to 108% of the CDI rate at December 31, 2017).

Restricted financial investments

	Parent company		Consolidated	
	2018	2017	2018	2017
Restricted financial investments - non-current	2,082	1,954	2,082	1,954
	<u>2,082</u>	<u>1,954</u>	<u>2,082</u>	<u>1,954</u>

The Company's restricted financial investments in Bank Deposit Certificates (CDB) to be redeemed in not less than one year, correspond to a collateral for the borrowing obtained for the purchase of land. The yields on these investments are linked to the CDI rate, ranging from 108% of the CDI rate (108% of the CDI rate at December 31, 2017), according to the nature and timing of the instrument.

7 Trade receivables

	Parent company		Consolidated	
	2018	2017	2018	2017
<u>Trade receivables from real estate development</u>				
Completed units	844	1,988	45,090	97,534
Units under construction	27,470	36,731	35,863	63,598
	<u>28,314</u>	<u>38,719</u>	<u>80,953</u>	<u>161,132</u>
Provision for canceled sales	(3,593)	(177)	(4,259)	(4,033)
Provision for expected losses	(1,431)	(326)	(1,431)	(326)
Adjustments to present value	(972)	(2,163)	(4,841)	(2,235)
	<u>(5,996)</u>	<u>(2,666)</u>	<u>(10,531)</u>	<u>(6,594)</u>
	<u>22,318</u>	<u>36,053</u>	<u>70,422</u>	<u>154,538</u>
Current	22,318	36,053	70,422	129,660
Non-current	-	-	-	24,878

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

The revenue recognition criteria (Note 2.17) determines that the balance of receivables from the sale of units not yet completed is not fully recognized in the financial statements, because the amount of revenue recorded is limited to the portion of revenue recognized, net of installments already received.

Trade receivables from real estate sales include indexation accruals based on the National Civil Construction Index (INCC) up to the delivery of the real estate units. As from that date, these amounts accrue indexation based on the General Market Price Index (IGP-M) and bear an average interest rate of 12% p.a.

The balance of receivables from the sale of units not yet completed is not fully recognized in the consolidated financial statements, because the amount of revenue recorded is limited to the portion of revenue recognized considering the progress of the works, net of the installments already received.

Supplemental information: Balances not yet recognized in the financial information are as follows:

Maturities of trade receivables from real estate developments:

	Parent company		Consolidated	
	2018	2017	2018	2017
Falling due in up to 1 year	23,093	43,895	77,909	113,646
Falling due from 1 to 2 years	9,336	-	47,634	6,641
Falling due from 2 to 3 years	8,415	-	58,918	9,214
Falling due from 3 to 4 years	8	-	453	8,470
Falling due in more than 4 years	60	-	68	2,159
	<u>40,912</u>	<u>43,895</u>	<u>184,982</u>	<u>140,130</u>
Overdue for up to 1 year	2,826	2,125	18,232	27,553
Overdue from 1 to 2 years	-	-	978	268
Overdue from 2 to 3 years	-	-	84	646
Overdue from 3 to 4 years	-	-	366	1,815
Overdue for more than 4 years	-	-	2,498	960
	<u>1,431</u>	<u>326</u>		
	<u>4,257</u>	<u>2,451</u>	<u>22,158</u>	<u>31,242</u>
	<u>45,169</u>	<u>46,346</u>	<u>207,140</u>	<u>171,372</u>
Trade receivables - accounting	22,318	36,053	70,422	154,538
Deferred revenue (Note 26)	24,130	11,212	157,615	13,958
Advances from customers (Note 17)	(7,275)	(3,585)	(31,428)	(3,718)
Provision for losses/canceled sales	5,024	503	5,690	4,359
Present value adjustment	972	2,163	4,841	2,235
	<u>45,169</u>	<u>46,346</u>	<u>207,140</u>	<u>171,372</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

8 Properties for sale

This account includes apartments for sale, completed and under construction, and land for future developments. The land related to a venture is transferred to "Properties under construction" at the time the sales of the units are initiated.

	Parent company		Consolidated	
	2018	2017	2018	2017
	(Restated)		(Restated)	
	(Note 2.3)		(Note 2.3)	
Inventories of land to be developed	42,326	39,487	42,326	39,487
Properties under construction	25,945	39,876	78,713	79,509
The Plaza	-	4,599	-	4,599
Villagio Gutierrez	3,601	3,987	3,601	3,987
Saint Tropez	13,797	21,890	13,797	21,890
Union Square	122	211	122	211
Avignon	8,231	-	8,231	-
Olga Chiari	-	-	959	1,658
Manhattan Square	-	-	571	10,960
Quintas Do Morro	-	-	3,637	3,637
Jota Patrimar	-	-	-	2
Jardim Das Mangabeiras	-	-	33,931	5,217
Acqua Galleria	-	-	10,369	16,648
Jardinaves	-	-	3,301	1,500
Other	194	9,189	194	9,200
Completed properties	10,351	7,458	71,250	97,366
Stand-alone properties	693	693	693	693
The Plaza	3,702	-	3,701	-
Villagio Gutierrez	2,553	861	2,553	861
Union Square	3,403	5,904	3,403	5,904
Neuchâtel	-	-	-	173
Mayffair Offices	-	-	160	160
Priorato Residences	-	-	-	88
Holliday Inn	-	-	6,658	6,656
Olga Chiari	-	-	10,375	18,667
Manhattan Square	-	-	11,677	-
Quintas Do Morro	-	-	-	111
Engenor Patrimar	-	-	-	37
Maura Valadares	-	-	60	60
Jota Patrimar	-	-	-	28
Acqua Galleria	-	-	31,970	63,928
Provision for canceled sales	3,383	263	4,381	3,300
	82,005	87,084	196,670	219,662
Current assets	82,005	50,991	196,670	183,569
Non-current assets	-	36,093	-	36,093

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

(a) Capitalized interest

Interest paid on production financing is accounted for as properties under construction, and charged to profit or loss when the property is sold. The rate utilized for interest capitalization is specific to each real estate development, ranging from 6.17% + CDI to 10.8% p.a. (from 8.8% to 10.8% at December 31, 2017).

At December 31, 2018, the amount of interest capitalized in properties for sale in the Parent company and Consolidated was R\$ 599 and R\$ 11,612, respectively (R\$ 310 and R\$ 17,731 at December 31, 2017).

9 Related parties

	Parent company		Consolidated	
	2018	2017	2018	2017
	(Restated)		(Restated)	
	(Note 2.3)		(Note 2.3)	
(a) Intercompany loans receivable	10,348	10,417	10,422	10,417
Construtora Real	8,506	10,417	8,506	10,417
PRMV S.A.	1,842	-	1,842	-
Somattos Engenharia e Comercio LTDA	-	-	74	-
(b) Receivables from developments	8,694	9,877	4,285	705
Mrv Patrimar Galleria Incorp Spe Ltda.	1,982	2,541	3	-
Bernardo Vasconcelos Empr Imob Spe Ltda.	168	-	168	-
Spe Barbacena Empr Imobiliários S/A	119	22	119	22
Scp Patrimar-Olga Chiari	-	5,843	-	-
Patrimar Somattos Gasp Empr Spe Ltda.	89	90	89	90
Direcional Patrimar Maragogi Empr Imob	1,731	2	1,734	5
SCP Novolar Ruth Silveira	104	-	104	-
Jardinaves Emp Imobiliários Spe	1,522	949	-	-
Patrimar Somattos Jardim Das Mangabeiras	-	430	-	-
Mrl Mrv Novolar Vii Incorp. Spe Ltda.	436	-	436	-
Jardins das Mangabeiras	2,127	-	1,217	-
Ed Duo - Alameda Do Morro	415	-	415	-
Other	1	-	-	588
	19,042	20,294	14,707	11,122

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2018 (Restated) (Note 2.3)	2017	2018 (Restated) (Note 2.3)	2017
(a) Intercompany loans payable	18,069	21,856	20,753	22,302
Construtora Novolar S.A.	18,069	19,535	18,069	19,535
Somattos Engenharia Comercio Ltda.	-	2,321	2,684	2,767
(b) Payables for developments	2,062	9,021	3,958	6,037
Scp Patrimar-Danilo Ambrosio	-	1,911	-	-
Scp Patrimar-Jornalista Oswaldo Nobre	-	601	-	-
Scp Patrimar-Gioia Del Colle	-	524	-	-
Scp Patrimar-Holiday Inn	-	329	-	-
Scp Patrimar-Mayfair Offices	-	2,945	-	-
Scp Patrimar-Neuchatel	-	1,800	-	-
Scp Patrimar-Manhattan Square	1,900	6	-	-
Scp Patrimar-Quintas Do Morro	-	83	-	-
Scp Novolar-Decaminada (Safira)	-	275	-	275
Construtora Real	-	-	572	2,685
Mrv Engenharia E Participações S.A.	-	-	1,981	2,541
Colina Engefor Patrimar	96	-	96	-
Edifício Apogée works	-	-	1,217	-
Other	66	547	92	536
	<u>20,131</u>	<u>30,877</u>	<u>24,711</u>	<u>28,339</u>
(c) Related-party transactions with effects on profit or loss	50	-	50	-
Construtora Real	50	-	50	-

(a) Intercompany loans receivable and payable

These refer to loans made to and obtained from related parties, which bear no interest and whose maturities are previously agreed.

(b) Receivables from and payables for developments

Refer to:

- Contributions in a proportion different from that of the interest held by quotaholders in the related SCPs and SPEs, which will be offset and/or capitalized after a supplementary contribution to adjust the quotaholders' interests.
- Routine transactions carried out between the Parent company and SCPs and SPEs, mainly characterized by the payment of expenses that are reimbursed or repaid later.

(c) Related-party transactions with effects on profit or loss

Payment of lease to the lessee Construtora Real Ltda. related to the building (Company's principal offices).

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

10 Investments

The Company recognizes a "Provision for net capital deficiency" for investee that present a net capital deficiency.

	Parent company		Consolidated	
	2018	2017	2018	2017
	(Restated)		(Restated)	
	(Note 2.3)		(Note 2.3)	
Investments	129,098	132,695	45,410	48,903
Provision for net capital deficiency	(3,661)	(1,076)	(2,759)	(504)
	<u>125,437</u>	<u>131,619</u>	<u>42,651</u>	<u>48,399</u>

Changes in the balance of investments were as follows:

	Parent company	Consolidated
At December 31, 2017	<u>131,619</u>	<u>48,399</u>
Changes in investments - assets and liabilities (i)	(24,708)	(10,293)
Equity in the results of investees	<u>18,526</u>	<u>4,545</u>
At December 31, 2018	<u>125,437</u>	<u>42,651</u>

- (i) Refers to changes in contributions and redemptions of funds related to projects established as Special Partnerships (SCP) or Special-Purpose Entities (SPE).

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

The analysis of investments at December 31, 2018 was as follows:

Investments in companies that have recorded net capital deficiency are recognized in non-current liabilities within "Provision for net capital deficiency".

	Ownership interest (%)		Profit (loss) for the year		Equity	Equity in the results of investees in the year	Investment and net capital deficiency	Investment and net capital deficiency
Companies	2018	2017	2018	2018		2018	2018	2017
Subsidiaries								
Álamo Patrimar Incorp. Imob. Ltda.	98%	98%	6	1	6	1	6	
SPE Patrimar Engefor Imóveis Ltda.	50%	50%	(416)	776	(208)	388	377	
SPE Maura Valadares	50%	50%	(50)	186	(25)	93	(38)	
SPE Engefor Patrimar V.S. E.Imob Ltda.	50%	50%	(402)	(378)	(201)	(189)	(47)	
SCP Professor Danilo Ambrósio	95%	95%	33	7	31	7	1,581	
SCP Jornalista Oswaldo Nobre	90%	90%	(57)	(242)	(51)	(218)	391	
SCP Gioia dell Colle	90%	90%	31	9	28	8	248	
SCP Olga Chiari	85%	85%	3,314	15,638	2,817	13,292	20,000	
SCP Manhattan Square	90%	90%	(3,994)	8,212	(3,595)	7,394	9,318	
SCP Priorato Residences	90%	90%	(38)	1,858	(34)	1,672	1,938	
SCP Holiday Inn	80%	80%	943	25,321	754	20,257	20,951	
SCP Mayfair Offices	90%	90%	171	211	154	190	2,731	
SCP Quintas do Morro	69%	69%	1,118	4,116	771	2,840	2,336	
SCP MG 02 Chopin	50%	50%	(2)	-	(1)	-	(2)	
SCP Neuchatel	90%	90%	(107)	431	(96)	388	2,292	
SPE MRV Galleria	50%	50%	10,768	46,080	5,384	22,823	17,814	
SPE Jardinaves	50%	50%	(38)	522	(19)	261	280	
SPE Jota Patrimar Engefor	40%	40%	(391)	(1,238)	(156)	(495)	(485)	
SPE Patrimar Somattos Jardim das Mangabeiras	50%	50%	16,844	28,148	8,422	14,074	3,529	
			27,733	129,658	13,981	82,786	83,220	
Jointly-controlled investees								
SCP RJ 04	50%	50%	(966)	1,004	(483)	502	452	
SPE Mirante do Ibituruna Ltda.	34%	34%	(3)	8,027	(1)	2,729	2,714	
SCP Portal do Bosque	50%	50%	(260)	52	(130)	26	(24)	
SCP Park Ritz	48%	48%	(165)	900	(79)	432	558	
SCP Recanto das Águas	51%	51%	(192)	118	(98)	60	(51)	
SCP MRV Belo Campo	50%	50%	(468)	32	(234)	16	(90)	
SCP MRV Rec. Pássaros (Rouxinol)	40%	40%	(748)	568	(299)	227	221	
SCP MRV Res. Beija Flor	40%	40%	(690)	(50)	(276)	(20)	88	
SPE Padre Marinho	50%	50%	2,014	7,227	1,007	3,614	2,935	
SCP Rivoli 2	40%	40%	(335)	160	(134)	64	71	
SPE Acaba Mundo E. Imob Ltda.	50%	50%	(6)	1,630	(3)	815	800	
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1	40%	40%	180	503	72	201	336	
SPE Colina Engefor Patrimar E. Imob Ltda.	50%	50%	(630)	104	(315)	52	1,527	
SPE Barbacena Empr Imobiliários S/A	50%	50%	3,478	49,466	1,739	24,733	23,796	
SPE Patrimar Somattos Gasparini Ltda.	50%	50%	7,000	19,678	3,500	9,839	11,028	
Ponctuel	50%	-	1,946	90	973	45	-	
SPE Direcional Patrimar Maragogi Ltda.	45%	45%	(542)	(3,564)	(244)	(1,604)	428	
			9,613	85,945	4,995	41,731	44,789	
Associates								
SCP Safira (Decaminada 10)	24%	24%	(5,096)	(54)	(1,223)	(13)	1,082	
SCP João XXIII	24%	24%	50	(54)	12	(13)	(188)	
SCP Naples	20%	20%	(30)	10	(6)	2	73	
SCP Palo Alto	10%	10%	580	3,440	58	344	421	
SCP Park Residences	10%	10%	1,210	10,170	121	1,017	1,482	
SCP Silva Lobo	15%	15%	67	627	10	94	93	
SCP Tavares Bastos	25%	25%	(152)	32	(38)	8	429	
SPE Novo Lar Greenport	20%	20%	25	(550)	5	(110)	(143)	
SPE Campo Grande	40%	40%	(290)	(18)	(116)	(7)	(8)	
SPE Axis Porto Fino	10%	-	7,270	5,901	727	590	-	
Other investments			-	-	-	(992)	369	
			3,634	19,504	(450)	920	3,610	
			40,980	235,107	18,526	125,437	131,619	

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

The analysis of investments at December 31, 2017 was as follows:

	Ownership interest (%)		Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency	Investment and net capital deficiency
Companies	2017	2016	2017	2017	2017	2017	2016
Subsidiaries							
Álamo PatrimarIncorp. Imob. Ltda.	98%	98%	1,428	6	1,392	6	148
SPE PatrimarEngenor Imóveis Ltda.	50%	50%	99	754	49	377	133
SPE Maura Valadares	50%	50%	211	(76)	106	(38)	(159)
SPE Engenor Patrimar V.S. E.Imob Ltda.	50%	50%	1,077	(93)	538	(48)	(624)
SCP Professor Danilo Ambrósio	95%	95%	-	1,665	-	1,581	1,633
SCP Jornalista Oswaldo Nobre	90%	90%	(130)	435	(117)	392	1,052
SCP GioiadellColle	90%	90%	(4)	276	(4)	248	255
SCP Olga Chiari	85%	85%	4,148	23,529	3,526	20,000	13,901
SCP Manhattan Square	90%	90%	(217)	10,353	(195)	9,318	12,377
SCP Priorato Residences	90%	90%	(314)	2,153	(283)	1,938	4,426
SCP Holiday Inn	80%	80%	2,318	26,188	1,854	20,951	21,032
SCP Mayfair Offices	90%	90%	2	3,034	2	2,731	2,739
SCP Quintas do Morro	69%	69%	(2,200)	3,386	(1,512)	2,336	4,047
SCP MG 02 Chopin	50%	50%	9	(3)	4	(2)	(4)
SCP Neuchatel	90%	90%	510	2,547	459	2,292	4,704
SPE MRV Galleria	50%	50%	8,578	35,741	3,219	17,814	23,382
SPE Jardinaves	50%	50%	(3)	561	(1)	280	158
SPE Jota Patrimar Engenor	50%	50%	3,901	(971)	1,951	(485)	3,526
SPE Patrimar Somattos Jardim das angabeiras	50%	50%	(23)	7,058	(11)	3,529	1,553
			19,390	116,543	10,977	83,220	94,279
Jointly-controlled investees							
SCP RJ 04	50%	50%	(267)	904	(133)	452	268
SPE Mirante do Ibituruna Ltda.	34%	34%	21	8,043	7	2,714	2,692
SCP Portal do Bosque	50%	50%	(126)	(48)	(62)	(24)	(42)
SCP Park Ritz	48%	48%	63	1,162	30	558	523
SCP Recanto das Águas	51%	51%	(423)	(98)	(220)	(51)	10
SCP MRV Belo Campo	50%	50%	(2,784)	(180)	(1,393)	(90)	998
SCP MRV Rec. Pássaros (Rouxinol)	40%	40%	(2,523)	553	(1,009)	221	1,113
SCP MRV Res. Beija Flor	40%	40%	527	221	211	88	29
SPE Padre Marinho	50%	0%	220	5,870	110	2,935	1,125
SCP Rivoli	40%	40%	(748)	176	(299)	71	176
SPE Acaba Mundo E. Imob Ltda.	50%	50%	(15)	1,601	(7)	800	792
SPE Colina EngenorPatrimar E. Imob Ltda.	50%	50%	(2,324)	3,055	(1,162)	1,527	7,513
SPE MRV Patrimar RJ IX Ltda. (Andorinhas)	40%	40%	554	840	222	336	(89)
SPE Barbacena Empr Imobiliários S/A	50%	50%	4,524	47,592	2,262	23,796	21,655
SPE PatrimarSomattos Gasparini Ltda.	50%	50%	(2,096)	22,056	(1,048)	11,028	13,086
SPE Direcional Patrimar Maragogi Ltda.	45%	45%	331	952	174	428	1,426
			(5,066)	92,699	(2,317)	44,789	51,275
Associates							
SCP Safira (Decaminada 10)	24%	24%	5,611	4,507	1,347	1,082	(467)
SCP João XXIII	24%	24%	(99)	(783)	(24)	(188)	(298)
SCP Naples	20%	20%	211	367	42	73	139
SCP Palo Alto	10%	10%	(826)	4,208	(83)	421	592
SCP Park Residences	10%	10%	1,499	14,820	150	1,482	2,448
SCP Silva Lobo	15%	15%	(2)	623	-	93	100
SCP Tavares Bastos	25%	25%	658	1,715	165	429	1,051
SPE Novo Lar Greenport	20%	20%	(210)	(713)	(42)	(143)	104
SPE Campo Grande	40%	40%	(78)	(20)	(31)	(8)	56
Other investments	-	-	(1,553)	746	(4)	369	(349)
			5,211	25,470	1,520	3,610	3,376
			19,535	234,712	10,180	131,619	148,930

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

At December 31, 2018, the balances of asset and liability accounts, net revenue and profit of subsidiaries, jointly- controlled investees and associates considered in the financial statements were as follows:

	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Equity	Net revenue	Profit (loss)
Companies	2018	2018	2018	2018	2018	2018	2018
Subsidiaries							
Álamo Patrimar Incorp. Imob. Ltda.	3	14	16	-	1	-	6
SPE Patrimar Engefor Imóveis Ltda.	893	13	130	-	776	(3)	(416)
SPE Maura Valadares	95	243	3	149	186	-	(50)
SPE Engefor Patrimar V.S. E.Imob Ltda.	25	25	260	168	(378)	(97)	(402)
SCP Professor Danilo Ambrósio	8	-	1	-	7	-	33
SCP Jornalista Oswaldo Nobre	9	-	4	247	(242)	-	(57)
SCP Gioia dell Colle	2	7	-	-	9	-	31
SCP Olga Chiari	14,416	1,750	279	249	15,638	15,213	3,314
SCP Manhattan Square	16,274	2,155	9,499	718	8,212	(250)	(3,994)
SCP Priorato Residences	901	1,077	80	40	1,858	(2)	(38)
SCP Holiday Inn	15,497	11,416	1,033	559	25,321	(29)	943
SCP Mayfair Offices	174	38	1	-	211	-	171
SCP Quintas do Morro	4,950	-	834	-	4,116	2,244	1,118
SCP MG 02 Chopin	-	-	-	-	-	-	(2)
SCP Neuchatel	546	-	27	88	431	156	(107)
SPE MRV Galleria	63,061	7,338	21,656	2,663	46,080	59,283	10,768
SPE Jardinaves	3,721	50	3,249	-	522	-	(38)
SPE Jota Patrimar Engefor	2,311	303	3,475	377	(1,238)	(16)	(391)
SPE Patrimar Somattos Jardim das Mangabeiras	53,392	7,277	19,218	13,303	28,148	58,997	16,844
	176,278	31,706	59,765	18,561	129,658	135,496	27,733
Jointly-controlled investees							
SCP RJ 04	1,059	-	55	-	1,004	(1)	(966)
SPE Mirante do Ibituruna Ltda.	8,021	6	-	-	8,027	-	(3)
SCP Portal do Bosque	153	-	101	-	52	-	(260)
SCP Park Ritz	1,118	6	85	139	900	15	(165)
SCP Recanto das Águas	275	-	7	150	118	2	(192)
SCP MRV Belo Campo	115	45	76	52	32	9	(468)
SCP MRV Rec. Pássaros (Rouxinol)	751	113	47	249	568	85	(748)
SCP MRV Res. Beija Flor	576	76	306	396	(50)	175	(690)
SPE Padre Marinho	35,928	-	1,709	26,992	7,227	11,085	2,014
SCP Rívoli 2	224	103	110	57	160	11	(335)
SPE Acaba Mundo E. Imob Ltda.	1,631	-	1	-	1,630	-	(6)
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1	333	259	39	50	503	(5)	180
SPE Colina Engefor Patrimar E. Imob Ltda.	236	18	150	-	104	982	(630)
SPE Barbacena Empr Imobiliários S/A	80,614	57	7,318	23,885	49,466	-	3,478
SPE Patrimar Somattos Gasparini Ltda.	21,659	18	456	1,543	19,678	8,081	7,000
Ponctuel	90	-	-	-	90	-	1,946
SPE Direcional Patrimar Maragogi Ltda.	169	65	3,761	39	(3,564)	-	(542)
	152,952	766	14,221	53,552	85,945	20,439	9,613
Associates							
SCP Safira (Decaminada 10)	28	-	42	40	(54)	-	(5,096)
SCP João XXIII	21	-	53	22	(54)	-	50
SCP Naples	11	-	1	-	10	(20)	(30)
SCP Palo Alto	3,675	327	502	60	3,440	4,150	580
SCP Park Residences	10,540	722	871	221	10,170	6,636	1,210
SCP Silva Lobo	354	298	25	-	627	(1)	67
SCP Tavares Bastos	37	-	5	-	32	705	(152)
SPE Novo Lar Greenport	13	-	180	383	(550)	(8)	25
SPE Campo Grande	59	-	41	36	(18)	24	(290)
SPE Axis 1 Porto Fino	21,672	4,280	1,816	18,235	5,901	28,626	7,270
Other investments	-	-	-	-	-	-	-
	36,410	5,627	3,536	18,997	19,504	40,112	3,634
	365,640	38,099	77,522	91,110	235,107	196,047	40,980

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

At December 31, 2017, the balances of asset and liability accounts, net revenue and profit of subsidiaries, jointly- controlled investees and associates considered in the financial statements were as follows:

	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Equity	Net revenue	Profit (loss) for the year
Companies	2017	2017	2017	2017	2017	2017	2017
Subsidiaries							
Álamo PatrimarIncorp. Imob. Ltda.	117	14	125	-	6	2,015	1,428
SPE PatrimarEngefor Imóveis Ltda.	1,188	13	443	4	754	181	99
SPE Maura Valadares	92	-	20	148	(76)	1	211
SPE Engefor Patrimar V.S. E.Imob Ltda.	282	-	144	231	(93)	92	1,077
SCP Professor Danilo Ambrósio	2,012	-	41	306	1,665	-	-
SCP Jornalista Oswaldo Nobre	719	25	34	275	435	2,388	(130)
SCP GioiadellColle	531	7	37	225	276	-	(4)
SCP Olga Chiari	26,256	4,090	6,438	379	23,529	18,838	4,148
SCP Manhattan Square	43,148	15	32,061	749	10,353	15,523	(217)
SCP Priorato Residences	655	1,752	166	88	2,153	3,937	(314)
SCP Holiday Inn	9,927	18,184	1,330	593	26,188	1,414	2,318
SCP Mayfair Offices	3,443	38	196	251	3,034	1	2
SCP Quintas do Morro	6,219	-	2,833	-	3,386	61	(2,200)
SCP MG o2 Chopin	1	-	4	-	(3)	-	9
SCP Neuchatel	2,728	-	56	125	2,547	3,586	510
SPE MRV Galleria	147,333	859	106,992	5,459	35,741	49,791	8,578
SPE Jardinaves	1,520	3	962	-	561	-	(3)
SPE Jota Patrimar Engefor	743	9	1,151	572	(971)	9,893	3,901
SPE Patrimar Somattos Jardim das angabeiras	5,852	2,404	1,198	-	7,058	-	(23)
	252,766	27,413	154,231	9,405	116,543	107,721	19,390
Jointly-controlled investees							
SCP RJ o4	967	-	63	-	904	(76)	(267)
SPE Mirante do Ibituruna Ltda.	8,042	6	5	-	8,043	35	21
SCP Portal do Bosque	24	-	72	-	(48)	-	(126)
SCP Park Ritz	1,395	6	97	142	1,162	131	63
SCP Recanto das Águas	238	-	120	216	(98)	-	(423)
SCP MRV Belo Campo	232	40	253	199	(180)	(2,128)	(2,784)
SCP MRV Rec. Pássaros (Rouxinol)	711	157	52	263	553	(2,191)	(2,523)
SCP MRV Res. Beija Flor	483	216	321	157	221	508	527
SPE Padre Marinho	24,736	-	182	18,684	5,870	3,246	220
SCP Rivoli	276	69	107	62	176	(305)	(748)
SPE Acaba Mundo E. Imob Ltda.	1,601	-	-	-	1,601	-	(15)
SPE Colina EngeforPatrimar E. Imob Ltda.	3,755	14	714	-	3,055	2	(2,324)
SPE MRV Patrimar RJ IX Ltda. (Andorinhas)	952	275	116	271	840	222	554
SPE Barbacena Empr Imobiliários S/A	55,722	13,391	2,653	18,868	47,592	26,959	4,524
SPE PatrimarSomattos Gasparini Ltda.	25,238	19	593	2,608	22,056	12,335	(2,096)
SPE Direcional Patrimar Maragogi Ltda.	1,504	23	573	2	952	2,192	331
	125,876	14,216	5,921	41,472	92,699	40,930	(5,066)
Associates							
SCP Safira (Decaminada 10)	5,533	-	621	405	4,507	9	5,611
SCP João XXIII	46	-	720	109	(783)	-	(99)
SCP Naples	396	-	29	-	367	754	211
SCP Palo Alto	7,152	1	2,851	94	4,208	3,687	(826)
SCP Park Residences	16,700	-	1,431	449	14,820	12,679	1,499
SCP Silva Lobo	112	577	66	-	623	9	(2)
SCP Tavares Bastos	2,198	(5)	477	1	1,715	4,559	658
SPE Novo Lar Greenport	60	-	355	418	(713)	386	(210)
SPE Campo Grande	14	-	34	-	(20)	7	(78)
Other investments	19	781	54	-	746	-	(1,553)
	32,230	1,354	6,638	1,476	25,470	22,090	5,211
	410,872	42,983	166,790	52,353	234,712	170,741	19,535

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

11 Property and equipment

Property and equipment items are depreciated as below:

	Depreciation rate % (p.a.)
Sales stands and model apartments (i)	-
Computers	
Works	33.33%
Management	20.00%
Furniture and fittings	
Works	33.33%
Management	10.00%
Machinery and equipment	
Works	33.33%
Management	10.00%
Machinery and heavy equipment	10.00%
Vehicles	20.00%
Sundry facilities	10.00%
Constructions and properties for use	
Improvements	20.00%
Telephone equipment	
Works	33.33%
Management	10.00%

(i) Sales stands are depreciated according to the estimated flow of sales of each project, write-off or the phase-out.

The analysis of property and equipment at December 31, 2018 was as follows:

	Parent company				Consolidated			
	Balance 2017	Additions	Write- offs	Balance 2018	Balance 2017	Additions	Write-offs	Balance 2018
Cost								
Improvements	5,203	1,579	-	6,782	5,202	1,580	-	6,782
Machinery and equipment	3,983	-	(514)	3,469	4,404	-	(514)	3,890
Vehicles	1,204	600	(195)	1,609	1,529	600	(195)	1,934
Furniture and fittings	2,530	190	(762)	1,958	2,695	190	(768)	2,117
Sales stands and model apartments	1,703	1,346	(670)	2,379	11,164	2,783	(1,085)	12,862
IT equipment	676	11	(609)	78	846	11	(613)	244
Sundry facilities	111	-	(111)	-	111	-	(111)	-
Telephone equipment	51	-	(51)	-	212	-	(55)	157
Addition of property and equipment acquired in investee (i)	-	-	-	-	-	906	-	906
	<u>15,461</u>	<u>3,726</u>	<u>(2,912)</u>	<u>16,275</u>	<u>26,163</u>	<u>6,070</u>	<u>(3,341)</u>	<u>28,892</u>
Depreciation								
Improvements	(120)	(1,226)	-	(1,346)	(121)	(1,226)	-	(1,347)
Machinery and equipment	(1,755)	(506)	403	(1,858)	(2,175)	(506)	402	(2,279)
Vehicles	(1,118)	(140)	194	(1,064)	(1,442)	(140)	194	(1,388)
Furniture and fittings	(698)	(207)	721	(184)	(862)	(208)	726	(344)
Sales stands and model apartments	(788)	(63)	-	(851)	(7,843)	(438)	-	(8,281)
IT equipment	(642)	(24)	609	(57)	(809)	(24)	610	(223)
Sundry facilities	(109)	(1)	110	-	(109)	(1)	110	-
Telephone equipment	(41)	(3)	44	-	(200)	(3)	45	(158)
Addition of property and equipment acquired in investee (i)	-	-	-	-	-	(905)	-	(905)
	<u>(5,271)</u>	<u>(2,170)</u>	<u>2,081</u>	<u>(5,360)</u>	<u>(13,561)</u>	<u>(3,451)</u>	<u>2,087</u>	<u>(14,925)</u>
Total property and equipment, net	<u>10,190</u>	<u>1,556</u>	<u>(831)</u>	<u>10,915</u>	<u>12,602</u>	<u>2,619</u>	<u>(1,254)</u>	<u>13,967</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

- (i) During 2018, control over SPE Colina Engefor Patrimar Empreendimentos Imobiliários Ltda., which previously was a jointly-controlled investee, was transferred to the Company, which recognized the balance of this investee's property and equipment considering the depreciation already calculated.

The analysis of property and equipment at December 31, 2017 was as follows:

	Parent company				Consolidated			
	Balance 2016	Additions	Write-offs	Balance 2017	Balance 2016	Additions	Write-offs	Balance 2017
Cost								
Sales stands and model apartments	1,350	638	(285)	1,703	8,405	3,044	(285)	11,164
IT equipment	677	-	(1)	676	848	-	(2)	846
Furniture and fittings	767	1,765	(2)	2,530	932	1,765	(2)	2,695
Machinery and equipment	4,122	58	(197)	3,983	4,548	58	(202)	4,404
Vehicles	1,308	-	(104)	1,204	1,633	-	(104)	1,529
Sundry facilities	111	-	-	111	111	-	-	111
Improvements	206	4,997	-	5,203	206	4,996	-	5,202
Telephone equipment	51	-	-	51	212	-	-	212
Total cost	8,592	7,458	(589)	15,461	16,895	9,863	(595)	26,163
Depreciation								
Sales stands and model apartments	(977)	(10)	199	(788)	(6,759)	(1,283)	199	(7,843)
IT equipment	(605)	(37)	-	(642)	(751)	(59)	1	(809)
Furniture and fittings	(639)	(60)	1	(698)	(783)	(80)	1	(862)
Machinery and equipment	(1,532)	(391)	168	(1,755)	(1,925)	(424)	173	(2,176)
Vehicles	(1,094)	(128)	104	(1,118)	(1,297)	(249)	104	(1,442)
Sundry facilities	(104)	(5)	-	(109)	(104)	(5)	-	(109)
Improvements	(115)	(5)	-	(120)	(115)	(5)	-	(120)
Telephone equipment	(37)	(4)	-	(41)	(177)	(23)	-	(200)
Total depreciation	(5,103)	(640)	472	(5,271)	(11,911)	(2,128)	478	(13,561)
Total property and equipment, net	3,489	6,818	(117)	10,190	4,984	7,735	(117)	12,602

12 Intangible assets

	Parent company				Consolidated			
	Balance 2017	Additions	Write-offs	Balance 2018	Balance 2017	Additions	Write-offs	Balance 2018
Cost								
Right-of-use	20	163	(20)	163	27	163	(27)	163
Software under development (ii)	615	8,517	-	9,132	615	8,517	-	9,132
Intangible assets acquired in investee (i)	-	-	-	-	-	30	-	30
Total cost	635	8,680	(20)	9,295	642	8,710	(27)	9,325
Amortization								
Right-of-use	-	(12)	-	(12)	(7)	(12)	7	(12)
Intangible assets acquired in investee (i)	-	-	-	-	-	(19)	-	(19)
	-	(12)	-	(12)	(7)	(31)	7	(31)
Total intangible assets, net	635	8,668	(20)	9,283	635	8,679	(20)	9,294

- (i) During 2018, SPE Colina Engefor Patrimar Empreendimentos Imobiliários Ltda., which previously was a jointly-controlled investee, came under the control of the Company, which recognized the balance of this investee's intangible assets considering the amortization already calculated.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

- (ii) Acquisition of an Integrated Business Management System (SAP S4 for Hana), expected to generate future benefits, with a useful life of 10 years; to be assessed at least annually.

	Parent company				Consolidated			
	Balance 2016	Additions 2017	Write- offs 2017	Balance 2017	Balance 2016	Additions 2017	Write- offs 2017	Balance 2017
Cost								
Right-of-use	166	-	(146)	20	174	7	(154)	27
Software under development	-	615	-	615	-	615	-	615
Total cost	166	615	(146)	635	174	622	(154)	642
Amortization								
Right-of-use	(125)	-	125	-	(132)	(7)	132	(7)
	(125)	-	125	-	(132)	(7)	132	(7)
Total intangible assets, net	<u>41</u>	<u>615</u>	<u>(21)</u>	<u>635</u>	<u>42</u>	<u>615</u>	<u>(22)</u>	<u>635</u>

13

Borrowings

	Parent company		Consolidated	
	2018	2017	2018	2017
Financing for construction - Financial Housing System (SFH)	22,669	18,768	29,894	141,807
Equipment financing	216	-	216	-
Borrowings - working capital	16,150	4,087	16,150	3,835
	<u>39,035</u>	<u>22,855</u>	<u>46,260</u>	<u>145,642</u>
Current liabilities	3,547	6,343	10,772	129,130
Non-current liabilities	35,488	16,512	35,488	16,512

Changes in the amount borrowed by the Parent company were as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Opening balance	22,855	12,808	145,642	200,372
Draw downs	31,184	17,533	39,784	38,843
Interest	3,728	1,025	9,588	7,875
Amortization	(18,732)	(8,511)	(148,754)	(101,448)
Closing balance	<u>39,035</u>	<u>22,855</u>	<u>46,260</u>	<u>145,642</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Amounts recorded in current and non-current liabilities by maturity year are as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
2018	-	6,343	-	129,130
2019	3,547	16,512	10,772	16,512
2020	5,470	-	5,470	-
2021	4,233	-	4,233	-
2022	17,056	-	17,056	-
2023	8,729	-	8,729	-
	<u>39,035</u>	<u>22,855</u>	<u>46,260</u>	<u>145,642</u>

Group's borrowings are of two types:

Financing for construction: This type of borrowing is designed to fund projects during the construction period. The applicable interest rates range, depending on the operation, from 8.3% to 10.8% p.a. plus indexation based on the Reference Rate (TR) (from 8.8% to 10.8% p.a. plus indexation based on the TR at December 31, 2017). These financing arrangements are secured by the underlying real estate development.

Working capital: This type of borrowing is designed to finance the Group's working capital requirements. The average interest rate applicable to borrowings of this type is the CDI rate ranging from 2.95% to 3.50% p.a. The guarantees for this type of loans are sureties by the Company's quotaholders and real guarantee of assets.

14 Trade payables

	Parent company		Consolidated	
	2018	2017	2018	2017
Trade payables	610	3,680	1,276	5,695
Technical retentions	<u>772</u>	<u>790</u>	<u>1,512</u>	<u>2,363</u>
	<u>1,382</u>	<u>4,470</u>	<u>2,788</u>	<u>8,058</u>

The balance of trade payables represents commitments by the Company and its subsidiaries for the acquisition of the inputs required to perform the contracted services or the purchase of equipment with their own funds.

Technical retentions correspond to a contractual agreement, which aims to ensure that all existing technical details in the construction contracts are fully complied with.

Accordingly, a specific percentage (provided for in contract) is withheld from the amounts payable to the contractor so that, in case of any non-compliance with the contract provisions, the customer is preserved.

At the end of the contract, if all requirements are met, the amount is refunded to the service provider.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

15 Tax liabilities

These comprise the provision for current taxes, the taxable event of which is the realization of trade receivables, and also of the provision for deferred taxes through recognition of revenue based on the POC method, under which the receipt of receivables is deferred over the flow of payments of each contract:

	Parent company		Consolidated	
	2018	2017	2018	2017
Current taxes				
Withheld taxes	293	361	575	478
RET	38	43	661	734
PIS	43	2	61	7
COFINS	201	8	283	32
IRPJ	1	1	162	18
CSLL	-	-	5	13
	<u>576</u>	<u>415</u>	<u>1,747</u>	<u>1,282</u>
Deferred taxes				
IRPJ	306	550	1,047	2,026
CSLL	161	292	548	1,064
PIS	90	155	306	586
COFINS	424	728	1,423	2,720
	<u>981</u>	<u>1,725</u>	<u>3,324</u>	<u>6,396</u>
Current	1,557	1,961	5,071	7,486
Non-current	-	179	-	192

16 Real estate purchase obligations

Include amounts to be settled in cash related to the acquisition of land used in real estate developments.

	Parent company		Consolidated	
	2018	2017	2018	2017
Alameda do Morro	10,800	10,800	10,800	10,800
Ed. Saint Tropez	-	287	-	287
Jardinaves	800	-	800	-
Avignon	387	-	387	-
Jardim das Mangabeiras	-	-	1,084	-
Manhattan Square	-	-	227	-
Other (i)	1,563	863	1,562	863
	<u>13,550</u>	<u>11,950</u>	<u>14,860</u>	<u>11,950</u>
Current	12,636	350	13,775	350
Non-current	914	11,600	1,085	11,600

(i) Lower and highly dispersed amounts.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

17 Advances from customers

These advances refer to sales of real estate units and a commitment to deliver completed units arising from the acquisition of land for real estate development through a barter arrangement.

	Parent company		Consolidated	
	2018	2017	2018	2017
Manhattan Square	-	-	450	133
The Plaza	-	131	-	131
Jardim das Mangabeiras	-	-	24,174	-
Jardinaves	-	-	773	-
Villagio Gutierrez	-	3,382	-	3,382
Alta Vila	20,650	20,650	20,650	20,650
Avignon	4,055	2,790	4,055	2,790
Saint Tropez	3,220	19,987	3,220	19,987
Other	71	72	71	72
	<u>27,996</u>	<u>47,012</u>	<u>53,393</u>	<u>47,145</u>
Advances from customers and barters made for construction in progress	7,275	3,585	31,428	3,718
Barters made for land - not launched developments	20,721	43,427	21,965	43,427
Current	27,996	3,514	53,393	3,647
Non-current	-	43,498	-	43,498

18 Provision for contingencies and judicial deposits

	Parent company				Consolidated			
	Judicial deposits		Provision for contingencies		Judicial deposits		Provision for contingencies	
	2018	2017	2018 (Restated - Note 2.3)	2017	2018	2017	2018 (Restated - Note 2.3)	2017
Tax	15	36	1,298	-	15	36	1,298	-
Civil	-	-	-	-	1,372	-	925	434
Labor	347	31	24	47	462	154	666	353
	<u>362</u>	<u>67</u>	<u>1,322</u>	<u>47</u>	<u>1,849</u>	<u>190</u>	<u>2,889</u>	<u>787</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Changes in judicial deposits and provisions for contingencies in 2018 were as follows:

Judicial deposits	<u>Parent company</u>	<u>Consolidated</u>
Opening balance	67	190
Additions	<u>295</u>	<u>1,659</u>
Closing balance	<u><u>362</u></u>	<u><u>1,849</u></u>

Legal contingencies	<u>Parent company</u>	<u>Consolidated</u>
Opening balance	47	787
Additions	1,298	2,526
Write-offs	<u>(23)</u>	<u>(424)</u>
Closing balance	<u><u>1,322</u></u>	<u><u>2,889</u></u>

The Group companies are party to tax, labor and civil litigation, and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. The provisions for contingencies are estimated by management under the advice of legal counsel when it considers a probable loss will arise from proceedings, and on historical information and statistical data.

Management believes that the resolution of these issues will not be significantly different from the amounts estimated.

There was no offset of the balances of judicial deposits and the provision for contingencies because the nature of the asset and liability balances were not the same, thus precluding offset of balances.

Possible loss contingencies

At December 31, 2018, the Group had risks of possible losses of a tax, civil and labor nature estimated at R\$41,516 (R\$13,187 at December 31, 2017), for which no provisions were recorded. Management uses information on the likelihood of loss provided by the Group's legal counsel to estimate amounts of possible loss.

Of the amounts of possible loss contingencies the more significant refers to the "physical exchange" of land:

As part of the process for purchase and sale of properties, the Group acquires land to be developed based on the "physical exchange" method. On September 4, 2014, the Federal Revenue Secretariat (SRF) issued Cosit Regulatory Opinion No. 9, which changed the understanding of the income tax legislation with respect to the deemed profit (Decree No. 3,000 of March 26, 1999) and started to consider revenue from physical exchange transactions recognized at fair value as the calculation bases for IRPJ, CSLL, PIS and COFINS. Based on this understanding, in 2017 and 2018 tax assessment notices were issued against the Group in the amount of R\$25,960.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

Based on the advice of its legal counsel, the Group filed a protest letter claiming that the assessment has no merit since the recognition of the fair value from the barter transactions cannot affect the calculation bases of these taxes. The probability of loss in this case has been classified as possible and the estimated risk involved at December 31, 2018 amounts to R\$28,561. As a result, no provision for contingencies with respect to this matter has been recorded in the financial statements.

19 Provision for real estate maintenance

The Company and its subsidiaries offer a five-year warranty against construction problems, as required by the Brazilian legislation. In order to fulfill this commitment, mitigating potential future effects, and to adequately match revenues and costs, for each real estate under construction an amount corresponding to 1.5% of the construction cost was provided for, on an estimated basis. This estimate is based on historical averages and expectations of future outflows, according to analyses of the Company's engineering department, which are reviewed annually. The provision is recorded as the work progresses, by applying this percentage to actual costs incurred.

Changes in the provision for real estate maintenance were as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Opening balance	857	836	6,801	8,131
Additions	2,898	635	1,929	2,043
Write-offs	(2,177)	(614)	(3,277)	(3,373)
Closing balance	1,578	857	5,453	6,801

20 Equity (Restated (Note 2.3))

(a) Capital

At December 31, 2018, the Company's capital was R\$179,032 (R\$179,032 at December 31, 2017).

(b) Corporate structure

The Company's corporate structure is as follows:

PRMV Participações S.A.: 99.99%
RPMV Participações S.A.: 00.01%

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

The corporate structure of PRMV Participações S.A. and RPMV Participações S.A. is as follows:

Alexandre Araújo Elias Veiga - 5%
Heloisa Magalhães Martins Veiga - 5%
Renata Martins Veiga Couto - 45%
Patrícia Martins Veiga - 45%

(c) Profit distribution policy

The Company's articles of association provide that profits may be distributed or retained as declared by the quotaholders' meeting.

At December 31, 2018, profit distributions were approved based on the financial statements as originally presented by the Company, before the accounting adjustments and restatements (Note 2.3). The financial statements as originally presented for the years ended December 31, 2018 and 2017, had presented a balance of retained earnings.

21 Operating revenue

The reconciliation between gross and net sales revenue is as follows:

	Parent company		Consolidate d	
	2018	2017	2018	2017
Gross revenue from the sales of properties	44,197	33,654	203,828	141,383
Service revenue	2,531	2,951	2,718	3,091
Canceled sales	-	-	(20,319)	(3,816)
Changes in canceled sales	(941)	(90)	1,708	(310)
Adjustment to present value	1,191	(1,474)	(2,606)	1,359
Taxes on billings	(1,011)	(299)	(3,982)	(2,087)
	<u>45,967</u>	<u>34,742</u>	<u>181,347</u>	<u>139,620</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

22 Costs and expenses by nature

	Parent company		Consolidated	
	2018	2017	2018	2017
Cost of properties sold				
Materials	(5,067)	(3,505)	(12,152)	(11,922)
Land	(10,722)	-	(39,993)	(1,696)
Completed properties	(12,236)	(18,646)	(46,692)	(61,726)
Personnel expenses	(1,408)	(872)	(2,501)	(2,966)
Subcontractors	(5,256)	(3,949)	(12,287)	(13,430)
Leases	(18)	(121)	(33)	(413)
Depreciation and amortization	(67)	(115)	(439)	(1,378)
Other	(1,018)	(1,733)	(11,087)	(8,609)
	<u>(35,792)</u>	<u>(28,941)</u>	<u>(125,184)</u>	<u>(102,140)</u>
	Parent company		Consolidated	
	2018	2017	2018	2017
Operating expenses				
Administrative and general expenses				
Personnel expenses	(9,038)	(8,367)	(9,112)	(8,375)
General expenses	(3,416)	(2,330)	(3,554)	(2,403)
Depreciation and amortization	(2,115)	(525)	(2,118)	(750)
Third-party services	(2,387)	(2,003)	(3,102)	(2,211)
	<u>(16,956)</u>	<u>(13,225)</u>	<u>(17,886)</u>	<u>(13,739)</u>
Selling expenses				
Personnel expenses	(1,258)	(903)	(1,415)	(1,121)
Commissions and brokerage	(609)	(712)	(2,033)	(2,456)
Advertising	(1,711)	(731)	(4,651)	(3,096)
Expenses with properties in inventory	(495)	(214)	(5,306)	(3,121)
Other	(387)	(454)	(1,807)	(2,959)
	<u>(4,460)</u>	<u>(3,014)</u>	<u>(15,212)</u>	<u>(12,753)</u>
Other operating income (expenses)				
	<u>(2,592)</u>	<u>(1,549)</u>	<u>(8,568)</u>	<u>(4,534)</u>
	<u>(24,008)</u>	<u>(17,788)</u>	<u>(41,666)</u>	<u>(31,026)</u>

(i) Includes an allowance for impairment of trade receivables;

(ii) Assets written-off based on inventories and additional expenses to cover commitments with contractors.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

23 Management fees

During 2018, management fees totaled R\$ 2,128 in the Parent company and R\$ 2,968 (R\$ 1,600 at December 31, 2017) in Consolidated.

24 Finance income (costs), net

	Parent company		Consolidated	
	2018	2017	2018	2017
Finance income				
Indexation accruals and interest as per contracts	1,040	2,503	6,549	4,405
Interest on financial investments	362	860	1,238	1,577
Other finance income	381	-	2,657	2
	<u>1,783</u>	<u>3,363</u>	<u>10,444</u>	<u>5,984</u>
Finance costs				
Interest on borrowings	(1,323)	(225)	(6,567)	(287)
Bank fees and charges	(652)	(98)	(1,489)	(354)
Financing expenses	(93)	(143)	(531)	(988)
Other finance costs	(12)	(120)	(125)	(633)
	<u>(2,080)</u>	<u>(586)</u>	<u>(8,712)</u>	<u>(2,262)</u>
Finance income (costs), net	<u>(297)</u>	<u>2,777</u>	<u>1,732</u>	<u>3,722</u>

25 Income tax and social contribution expenses

Corporate income tax and social contribution on net income are calculated on an accrual basis. However, considering as these are due on a cash basis, the Company records them as deferred taxes up to the time the payment is made. Balances of taxes due under this tax criteria are as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Profit before IRPJ and CSLL	<u>4,396</u>	<u>970</u>	<u>20,774</u>	<u>9,379</u>
Rate - 34%	<u>(1,495)</u>	<u>(330)</u>	<u>(7,063)</u>	<u>(3,189)</u>
Equity in the results of investees	(6,299)	(3,461)	(1,545)	271
Effects on profit or loss of developments/subsidiaries taxed based on the deemed profit method/special taxation regime	7,288	3,759	4,999	1,083
IRPJ and CSLL expenses	<u>(506)</u>	<u>(32)</u>	<u>(3,609)</u>	<u>(1,835)</u>
Effective rate	<u>12%</u>	<u>3%</u>	<u>17%</u>	<u>20%</u>

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

The Company has a total accumulated balance of income tax and social contribution losses of R\$ 6,984 (R\$ 8,536 at December 31, 2017).

Management has not recorded deferred assets as the confirmation of generation of future taxable income cannot be reliably estimated as a substantial part of the Group's operations are carried out through SPEs and SCPs, in addition to the use of the Special Taxation Regime (RET) adopted for certain projects developed by the Company and its subsidiaries.

26 Deferred revenue and deferred costs

Pursuant to the Circular Letter No. 02/2018 of December 12, 2018, which addresses revenue recognition by Brazilian companies on purchase and sale of incomplete real estate units under construction, the table below presents deferred revenue and deferred costs of units under construction.

	Parent company	Consolidated
Developments under construction		
(i) Deferred revenue from units sold		
Developments under construction:		
(a) Revenue from contracted sales	46,091	234,585
Revenue from recognized sales:		
Revenue from recognized sales	(21,961)	(76,970)
(b) Revenue from recognized sales, net	(21,961)	(76,970)
Deferred revenue (a+b)	<u>24,130</u>	<u>157,615</u>
(ii) Budgeted deferred cost of sold units		
Developments under construction:		
(a) Budgeted costs	32,759	145,269
Incurred costs:		
Construction costs	(16,621)	(52,659)
(b) Incurred costs, net	(16,621)	(52,659)
Deferred costs of units sold (a+b)	<u>16,138</u>	<u>92,610</u>
(iii) Budgeted deferred costs of units in inventory		
Developments under construction:		
(a) Budgeted costs	47,850	151,444
(b) Incurred costs	(21,580)	(55,359)
Deferred costs of units in inventory (a+b)	<u>26,270</u>	<u>96,085</u>

27 Commitments

Commitments for purchase of land.

Commitments have been undertaken by the Company for purchases of land, which have not yet been reflected in the accounting records, as there are matters pending resolution by the sellers before the formalization of the final deed and transfer of the related title to the Company, its subsidiaries or partners. These amount to R\$ 651,979 (R\$ 577,400 at December 31, 2017), of which R\$ 634,700

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

(R\$ 558,233 at December 31, 2017) will be settled upon delivery of real estate units to be constructed and R\$ 17,279 (R\$ 19,167 at December 31, 2017) from a portion of the proceeds from the sale of the related developments.

28 Segment reporting

The main revenue of the Group is derived from real estate development activities. The chief operating decision-maker analyzes information by development for the purposes of allocating resources and assessing performance. The management of activities relating to strategic planning, finance, purchases, the investment of resources and the assessment of the performance of developments is centralized and there is no segregation by type of development (residential - high and middle standard and commercial) that could indicate management by segment, or other factors that could identify a set of components as operating segments of the entity.

29 Insurance

At December 31, 2018, the Company and its subsidiaries have the following insurance policies:

a) Engineering risk insurance - civil works in progress: all risk coverage for construction of real estate, such as fire, theft and damage resulting from construction works, among others. This type of insurance permits additional coverage considering the risks inherent to construction works, including civil liability and cross liability insurance, special expenses, riots, employer's civil liability and moral damages.

b) Insurance to guarantee the delivery of the real estate units by means of barter agreements.

Items	Patrimar
Engineering risk and Civil risk	197,625
Performance bond (barter transaction)	18,751

30 Events after the reporting period

(a) Corporate reorganizations

On December 11, 2019, the quotaholder PRMV approved the transformation of Patrimar from a limited liability partnership to a corporation. A Quotaholders' Meeting and subsequently an Extraordinary General Meeting were held.

The Company merged with RPMV Participações S.A., which held a 99.99% interest in Construtora Novolar Ltda. and received by assignment the remaining quota of Construtora Novolar Ltda. held by PRMV Participações S.A. PRMV Participações S.A. and RPMV Participações S.A. withdrew from the ownership structure of Construtora Novolar Ltda., and Patrimar Engenharia S.A. became its only quotaholder.

Patrimar Engenharia Ltda.

Notes to the financial statements at December 31, 2018

All amounts in thousands of reais unless otherwise stated

(b) Effects of the Covid-19 pandemic on the Company's business

The Brazilian market has shown increased volatility as a result, among other factors, of the spread of the coronavirus (Covid-19) pandemic and the restrictive measures that have been adopted in Brazil and worldwide in an attempt to contain the contagion, which may result in a slowdown of the global economy.

The Company has been monitoring development and possible impacts on its operations. As the construction industry was included in the list of essential activities by the Brazilian government, several incentive measures were provided greatly reducing impacts. Projects continue unabated and without interruption, with no identified risk of delay of delivery to customers. All requirements are being met and every effort is being made to ensure the health and safety of employees and service providers. Administrative and commercial areas staff are working from home as are partners across the supply chains. Financial performance metrics of works are operating without major incident. No impairment of financial and non-financial assets have been identified to-date. No cases of significant customer delinquencies have been forthcoming and the medium and long-term fundamentals of the business remain unchanged.

* * *

Opinions and Statements / Officers' Statement on the Financial Statements

Officers' Statement on the Financial Statements

Pursuant to the provisions of Article 25, paragraph 1, items V and VI, of the Brazilian Securities Commission Instruction No. 480 of December 7, 2009, the Executive Board states that it has reviewed, discussed and agreed with the presentation of the parent company and consolidated financial statements for the year ended December 31, 2018.

Belo Horizonte, August 5, 2020.

Chief Executive Officer - ALEXANDRE ARAÚJO ELIAS VEIGA

Chief Administrative and Financial Officer - MARCOS ROGÉRIO ALMEIDA DUTRA

Opinions and Statements / Officers' Statement on the Independent Auditor's Report

Officers' Statement on the Independent Auditor's Report

Pursuant to the provisions of Article 25, paragraph 1, items V and VI, of the Brazilian Securities Commission Instruction No. 480 of December 7, 2009, the Executive Board states that it has reviewed, discussed and agreed with the opinion expressed in the Independent Auditor's Report dated August 5, 2020, on the parent company and consolidated financial statements for the year ended December 31, 2018.

Belo Horizonte, August 5, 2020.

Chief Executive Officer - ALEXANDRE ARAÚJO ELIAS VEIGA

Chief Administrative and Financial Officer - MARCOS ROGÉRIO ALMEIDA DUTRA

EXECUTIVE BOARD

ALEXANDRE ARAÚJO ELIAS VEIGA
Chief Executive Officer

MARCOS ROGÉRIO ALMEIDA DUTRA
Chief Administrative and Financial Officer

RESPONSIBLE ACCOUNTANT

ROGER TADEU VILELA FERREIRA
Contador
CRC - MG 122.560/O