Gafisa S.A.
Form 6-K
May 05, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of May, 2009

(Commission File No. 001-33356),

Gafisa S.A.

(Translation of Registrant's name into English)

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

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

Form 20-F ___X___ Form 40-F ______

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

Yes ______ No ___X___

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

Yes ______ No ___X___

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

Yes ______ No ___X___

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

Gafisa S.A.

Consolidated Financial Statements as of
December 31, 2008 and 2007 and for the
Three Years Ended December 31, 2008
and Report of Independent Auditors

Management Report 2008

2008 was a year of achievements and expansion for Gafisa. We continued to pursue our strategy for long-term growth and to position as leaders in the residential real estate development market of Brazil. Gafisa s long geographical reach, presence in all income segments and large stock of land assure the ideal platform to maintain our sustainable growth in long term. Our professional management, financial discipline and guaranteed delivery of quality products build up the strength of our brands in each market segment. Our strategic positioning reached the apex in 2008 with the purchase of control over Tenda, consolidating Gafisa s leadership in the segment of low-income residential developments.

We saw a great expansion in residential real estate development between 2005 and 2008, period when new finance for the real estate sector in Brazil grew nearly four times, reaching R$ 41.4 billion in 2008. In this same period, Gafisa launches posted an average increase of 86% per year, reaching approximately R$ 4.2 billion in 2008, Gafisa and Tenda in the aggregate. Average sales growth stood at 79% per year, reaching R$ 2.6 billion in 2008. In 2008, Gafisa posted a growth of 88% in launches and 58% in sales over 2007. The stock of land reached R$ 17.8 billion in potential sales value at the end of 2008. Our net income reached R$ 110 million, a growth of 16 % in relation to 2007.

In the second half of 2008, we started to feel the effects of the global economy slowdown on the Brazilian real estate sector, which resulted in a lower sales rate. For 2009, we expect that the measures for stimulating the economy, and particularly the government finance and incentives aimed at growing the low-income housing sector, change the current scenario. Several factors determine a continued expansion in medium and long terms.

Despite of the current scenario of growth in Brazil, the macroeconomic fundamentals are still solid and positive. A young and growing population gaining more access to the labor market is enjoying a growing purchasing power, which leads to a higher demand for houses in almost all income groups. As the demand for housing was not met over several years, the country has a housing deficit of approximately 7.2 million houses, even after the recent growth in the sector. Fortunately, a great improvement in finance rates and terms and higher access to housing finance for real estate development companies and individuals suggest that the supply of houses will continue to increase.

Gafisa continues to count on an established financial reputation, in view of its conservative history and commitment to transparency. The implementation of controls to comply with the requirements of the US Sarbanes-Oxley Act and the advance in the implementation of the SAP management system during 2008 are only two examples of it.

In 2009 Gafisa will continue to develop its brands in new and current markets, maximize the sales of our products through additional sales channels and make the most of our experience and position in the low-income segment. Access to highly talented people is the basis of our success, and we will continue to focus on internship and trainee programs to prepare a new generation, including the future leaders of the company.

In 2009, we will pursue a strategy on launching that is more conservative, with focus on return and cash flow, while being ready to develop our stock of land at the extend demand recovers and capitalize on our solid financial position and strong presence in the low-income segment and in the market as a whole.

Relationship with auditors

The policy on contracting services unrelated to external audit from our independent auditors is based on principles that preserve their independence. According to internationally accepted principles, these principles consist of the following: (a) an auditor cannot audit its own work; (b) an auditor cannot serve a management function in its client; and (c) an auditor shall not promote the interests of its clients. (a) The procedures adopted by the Company are in compliance with the provisions of item III, Art. 2, of CVM Instruction No. 381/03:

The Company and its subsidiaries adopt as formal procedure, before contracting professional services other than those related to external audit, consult with the independent auditors, in order to assure that the provision of other services does not affect their independency nor objectivity necessary for providing independent audit services, in addition to obtaining the proper approval from its Audit Committee. Moreover, formal representations from these auditors are required on their independency in the provision of unrelated audit services.

In 2008 we contracted services of review of certain processes that have been implemented by Management throughout the year and accounting diligence. Total fees of these services amounted to R$ 572 thousand, which corresponded to 13% of annual fees of external audit services.

Main Operating and Financial Highlights

The Company is bound to arbitration in the Market Arbitration Chamber, according to the covenant provided in its bylaws.

São Paulo, March 9, 2009

Board of Executive Officers

Report of Independent Auditors

To the Board of Directors and Shareholders
Gafisa S.A.

1 We have audited the accompanying consolidated balance sheets of Gafisa S.A. and its subsidiaries ("Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, of changes in shareholders' equity, of cash flows and of value added for the years ended December 31, 2008, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Construtora Tenda S.A., a subsidiary, which statements reflect total assets of R$1,544,030 thousand as of December 31, 2008, and gross operating revenues of R$169,026 thousand for the period from October 22, 2008 through December 31, 2008. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Construtora Tenda S.A., is based solely on the report of the other auditors.

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

3 In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gafisa S.A. and its subsidiaries as of December 31, 2008 and 2007, and the results of its operations, its changes in shareholders' equity, of cash flows and of value added, for the years ended December 31, 2008, 2007 and 2006, in accordance with accounting practices adopted in Brazil.

Gafisa S.A.

4 Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 22 to the consolidated financial statements.

5 As mentioned in Note 2, in connection with the changes in the accounting practices adopted in Brazil in 2008, the financial statements for the previous years, presented for comparison purposes, were adjusted and have been restated pursuant to Accounting Standards and Procedures (NPC) 12 - Accounting Practices, Changes in Accounting Estimates and Correction of Errors. In addition, the statements of cash flows for the years ended December 31, 2007 and 2006 was reclassified from that originally presented as part of the consolidated financial statements, on which we issued our audit opinion dated March 10, 2009.

São Paulo, April 30, 2009

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Eduardo Rogatto Luque
Contador CRC 1SP166259/O-4

Gafisa S.A.

Consolidated Balance Sheets at December 31
In thousands of Brazilian reais

Assets	**Note**	**2008**	**2007**
Current assets			
Cash, cash equivalents and marketable securities	4	605,502	517,420
Receivables from clients	5	1,254,594	473,734
Properties for sale	6	1,695,130	872,876
Other accounts receivable	7	182,775	101,920
Deferred selling expenses		13,304	3,861
Prepaid expenses		25,396	6,224
		3,776,701	1,976,035
Non-current assets			
Receivables from clients	5	863,950	497,910
Properties for sale	6	333,846	149,403
Deferred taxes	15	190,252	78,740
Other		90,398	42,797
		1,478,446	768,850
Investments	8	-	12,192
Goodwill, net	8	215,296	207,400
Property and equipment, net		50,348	32,411
Intangible assets		18,067	7,897
		283,711	259,900
		1,762,157	1,028,750
Total assets		5,538,858	3,004,785

Liabilities and shareholders' equity	**Note**	**2008**	**2007**
Current liabilities			
Loans and financing, net of swaps	9	447,503	68,357
Debentures	10	61,945	6,590
Obligations for purchase of land and advances from clients	13	421,584	290,193
Materials and service suppliers		112,900	86,709
Taxes and contributions		113,167	71,250
Salaries, payroll charges and profit sharing		29,693	38,513
Mandatory dividends	14(b)	26,106	26,981
Provision for contingencies	12	17,567	3,668
Other accounts payable	11	97,931	68,368
		1,328,396	660,629
Non-current liabilities			
Loans and financing, net of swaps	9	600,673	380,433
Debentures	10	442,000	240,000
Obligations for purchase of land and advances from clients	13	231,199	103,184
Deferred taxes	15	239,131	46,070
Provision for contingencies	12	35,963	17,594
Deferred gain on sale of investment	8	169,394	-
Negative goodwill on acquisition of subsidiaries	8	18,522	32,223
Other accounts payable	11	389,759	12,943
		2,126,641	832,447
Minority interest		471,402	12,981
Shareholders' equity	14		
Capital stock		1,229,517	1,221,846
Treasury shares		(18,050)	(18,050)
Stock options reserve		47,829	25,626
Capital reserves		134,296	134,296
Revenue reserves		218,827	135,010
		1,612,419	1,498,728
Total liabilities and shareholders' equity		5,538,858	3,004,785

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

5

Consolidated Statements of Income
Years Ended December 31
In thousands of Brazilian reais, except per share amount

	Note	2008	2007	2006
Gross operating revenue				
Real estate development and sales		1,768,200	1,216,773	660,311
Construction services rendered, net of costs	3(a)	37,268	35,121	21,480
Taxes on services and revenues		(65,064)	(47,607)	(33,633)
Net operating revenue		**1,740,404**	**1,204,287**	**648,158**
Operating costs				
Real estate development costs		(1,214,401)	(867,996)	(464,766)
Gross profit		526,003	336,291	183,392
Operating (expenses) income				
Selling expenses		(154,401)	(69,800)	(51,671)
General and administrative expenses		(158,381)	(130,873)	(64,310)
Depreciation and amortization		(52,635)	(38,696)	(7,369)
Amortization of gain on partial sale of FIT Residential		41,008	-	-
Other, net		(33,389)	2,508	4,436
Operating profit before financial income (expenses)		168,205	99,430	64,478
Financial income (expenses)				
Financial expenses		(61,008)	(35,291)	(64,932)
Financial income		102,854	63,919	52,989
Income before taxes on income and minority interest		210,051	128,058	52,535
Current income tax and social contribution expense		(24,437)	(12,217)	(4,632)
Deferred tax		(18,960)	(18,155)	(3,893)
Total tax expenses	15	(43,397)	(30,372)	(8,525)
Income before minority interest		166,654	97,686	44,010
Minority interest		(56,733)	(6,046)	-
Net income for the year		109,921	91,640	44,010
Shares outstanding at the end of the year (in thousands)	14(a)	129,963	129,452	103,370

Net income per thousand shares outstanding at the end of the year - R$	0.8458	0.7079	0.4258

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

Statements of Changes in Shareholders' Equity
In thousands of Brazilian reais

					Revenue reserves				
	Capital stock	Treasury shares	Stock options reserve	Capital reserves	Legal reserve	Statutory reserve	For investments	Retained earnings	Total
At December 31, 2005	227,363	(47,026)	-	27,832	7,602	-	86,629	(27,926)	274,474
Capital increase									
Initial Public Offering	352,756	-	-	141,637	-	-	-	-	494,393
Stock issuance expenses, net of taxes	-	-	-	(18,023)	-	-	-	-	(18,023)
Havertown subscription	3,414			2,765	-	-	-	-	6,179
Exercise of stock options	8,209	-	-	-	-	-	-	-	8,209
Stock option plan	-	-	9,129	-	-	-	-	-	9,129
Net income for the year	-	-	-	-	-	-	-	44,010	44,010
Appropriation of net income									
Legal reserve	-	-	-	-	2,303	-	-	(2,303)	-
Dividends	-	-	-	-	-	-	-	(10,938)	(10,938)
Investments reserve	-	-	-	-	-	-	2,843	(2,843)	-
At December 31, 2006	591,742	(47,026)	9,129	154,211	9,905	-	89,472	-	807,433
Capital increase									
Public offering	487,813	-	-	-	-	-	-	-	487,813
Stock issuance expenses, net of taxes	-	-	-	(19,915)	-	-	-	-	(19,915)
Capital increase - Alphaville	134,029	-	-	-	-	-	-	-	134,029

Urbanismo S.A.									
Exercise of stock options	8,262	-	-	-	-	-	-	-	8,262
Additional 2006 dividends	-	-	-	-	-	-	-	(50)	(50)
Cancellation of treasury shares	-	28,976	-	-	-	-	(28,976)	-	-
Stock option plan	-	-	16,497	-	-	-	-		16,497
Net income for the year	-	-	-	-	-	-	-	91,640	91,640
Appropriation of net income									
Legal reserve	-	-	-	-	5,680	-	-	(5,680)	-
Minimum mandatory dividends	-	-	-	-		-	-	(26,981)	(26,981)
Statutory reserve	-	-	-	-	-	80,892	-	(80,892)	-
Transfer from investments reserve	-	-	-	-	-	-	(21,963)	21,963	-
At December 31, 2007	1,221,846	(18,050)	25,626	134,296	15,585	80,892	38,533	-	1,498,728
Capital increase									
Exercise of stock options	7,671	-	-	-	-	-	-	-	7,671
Stock option plan	-	-	22,203	-	-	-	-	-	22,203
Net income for the year	-	-	-	-	-	-	-	109,921	109,921
Appropriation of net income									
Legal reserve	-	-	-	-	5,496	-	-	(5,496)	-
Minimum mandatory dividends	-	-	-	-	-	-	-	(26,104)	(26,104)
Statutory reserve	-	-	-	-	-	78,321	-	(78,321)	-
At December 31, 2008	1,229,517	(18,050)	47,829	134,296	21,081	159,213	38,533	-	1,612,419

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

Consolidated Statements of Value Added
Years Ended December 31
In thousands of Brazilian reais

	2008	2007	2006
Gross revenues			
Real estate development sales and services	1,814,109	1,251,894	681,791
Allowance for doubtful accounts	(8,641)	-	-
	1,805,468	1,251,894	681,791
Purchases from third parties			
Real estate development	(1,160,906)	(850,202)	(456,643)
Materials, energy, service suppliers and other	(233,147)	(111,671)	(59,966)
	(1,394,053)	(961,873)	(516,609)
Gross value added	411,415	290,021	165,182
Deductions			
Depreciation and amortization	(52,635)	(38,696)	(7,369)
Net value added produced	358,780	251,325	157,813
Value added received through transfer			
Financial income	102,854	63,919	52,989
Amortization of negative goodwill from gain on partial sale of FIT Residencial	41,008	-	-
	143,862	63,919	52,989
Total value added to be distributed	502,642	315,244	210,802
Value added distributed			
Personnel and charges	146,772	93,275	44,929
Taxes and contributions	131,448	77,244	48,807
Interest and rents	114,502	53,085	73,056
Earnings reinvested	83,817	64,609	33,072
Dividends	26,104	27,031	10,938
	502,642	315,244	210,802

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

Consolidated Statements of Cash Flows
Years Ended December 31
In thousands of Brazilian reais

	2008	2007	2006
Cash flows from operating activities			
Net income	109,921	91,640	44,010
Expenses (income) not affecting cash and cash equivalents			
Depreciation and amortization	52,635	38,696	7,369
Stock option expenses	26,138	17,820	9,129
Deferred gain on sale of investment	(41,008)	-	-
Unrealized interest and charges, net	116,771	22,934	39,437
Deferred tax	18,960	18,155	3,893
Minority interest	56,733	6,046	-
Decrease (increase) in assets			
Receivables from clients	(580,843)	(436,691)	(205,525)
Properties for sale	(703,069)	(579,496)	(182,067)
Other accounts receivable	(65,344)	(6,011)	(45,229)
Deferred selling expenses	(5,211)	13,171	(569)
Prepaid expenses	(19,172)	(723)	(2,665)
Increase (decrease) in liabilities			
Obligations for real state developments	-	(6,733)	(57,963)
Obligations for purchase of land	217,453	97,757	69,633
Taxes and contributions	38,977	28,718	(5,674)
Provision for contingencies	13,933	-	(317)
Materials and service suppliers	(14,363)	60,982	502
Advances from clients	(28,160)	61,527	103,474
Salaries, payroll charges and profit sharing	(19,475)	20,428	7,607
Other accounts payable	12,611	99,851	(56,233)
Cash used in operating activities	(812,512)	(451,929)	(271,188)
Cash flows from investing activities			
Cash acquired at Tenda	66,904	-	-
Purchase of property and equipment	(63,127)	(61,279)	(21,612)
Restricted cash in guarantee to loans	(67,077)	(9,851)	-
Acquisition of investments	(15,000)	(78,160)	(3,997)
Cash used in investing activities	(78,300)	(149,290)	(25,609)
Cash flows from financing activities			
Capital increase	7,671	496,075	508,781
Stock issuance expenses	-	(19,915)	(18,023)
Loans and financing obtained	775,906	426,969	303,188
Repayment of loans and financing	(145,697)	(51,737)	(364,115)
Contributions from venture partners	300,000	-	-
Assignment of credits receivable, net	916	2,225	(766)
Dividends paid	(26,979)	(10,988)	-

Cash provided by financing activities	911,817	842,629	429,065
Net increase in cash and cash equivalents	21,005	241,410	132,268
Cash and cash equivalents			
At the beginning of the year	507,569	266,159	133,891
At the end of the year	528,574	507,569	266,159
Net increase in cash and cash equivalents	21,005	241,410	132,268

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

Notes to the Consolidated Financial Statements
In thousands of Brazilian reais, unless otherwise stated

1 Operations

Gafisa S.A. and its subsidiaries (collectively, the "Company") started its operations in 1997 with the objectives of: (a) promoting and managing all forms of real estate ventures, on its own behalf or for third parties; (b) purchasing, selling and negotiating real estate properties in general, including provision of financing to real estate clients; (c) carrying out civil construction and civil engineering services; (d) developing and implementing marketing strategies related to its own or third party real estate ventures, and; (e) investing in other Brazilian or foreign companies which have similar objectives as the Company's.

The Company forms jointly-controlled ventures (Special Purpose Entities - SPEs) and participates in consortia and condominiums with third parties as a means of meeting its objectives. The controlled entities share the structure and corporate, managerial and operating costs with the Company.

In February 2006, the Company concluded its Brazilian initial public offering on the Novo Mercado of the Bolsa de Valores de São Paulo - BOVESPA, raising proceeds of R$ 494,393 through issuance of 26,724,000 Common shares.

In January 2007, the Company acquired 60% of the voting capital of Alphaville Urbanismo S.A. ("AUSA"), a company which develops and sells residential condominiums throughout Brazil. The purchase commitment for the remaining 40% of AUSA's voting capital will be determined by means of an economic and financial evaluation of AUSA to be carried out, according to the agreement, by 2012 (Note 8).

In March 2007, the Company completed a public offering of stock on the New York Stock Exchange - NYSE, resulting in a capital increase of R$ 487,813 with the issue of 18,761,992 Common shares equivalent to 9,380,996 ADRs. The expenses related to this public offering of the Company's stock, net of respective tax effects, totaled R$ 19,915 and were charged to Capital reserve.

In October 2007, Gafisa completed the acquisition of 70% of the voting capital of Cipesa Engenharia S.A. ("Cipesa"), a real estate developer in the state of Alagoas (Note 8). In 2007, the Company launched its operations in the lower income real estate market through its subsidiary FIT Residencial Empreendimentos Imobiliários Ltda. ("FIT Residential"). On September 1, 2008, the Company and Construtora Tenda S.A. ("Tenda") consummated a merger of Tenda and FIT Residencial, by means of a Merger Protocol and Justification. On October 3, 2008, this Merger Protocol and Justification was approved by Gafisa s Board of Directors, as well as the first Amendment to the Protocol. Upon exchange of FIT Residential quotas for Tenda shares, the Company received 240,391,470 common shares, representing 60% of total and voting capital of Tenda after the merger of FIT Residencial, in exchange for 76,757,357 quotas of FIT Residencial. The Tenda shares received by the Company in exchange for FIT Residencial quotas will have the same rights, attributed on the date of the merger of the shares held by the Company, and will receive all benefits, including dividends and distributions of capital that may be declared by Tenda as from the merger approval date. On October 21, 2008, the merger of FIT Residencial into Tenda was approved at an Extraordinary Shareholders' Meeting by the Company's shareholders (Note 8).

Bairro Novo Empreendimentos Imobiliários S.A. ("Bairro Novo") was incorporated in March 2007 by Gafisa S.A. and Odebrecht Empreendimentos Imobiliários Ltda. ("Odebrecht Empreendimentos"), with control shared by both companies through a joint venture. On February 27, 2009, the joint venture was dissolved (Note 20).

2 Presentation of Financial Statements

These financial statements were approved by the Board of Directors for issuance on March 9, 2009.

(a) Basis of presentation

The financial statements were prepared in accordance with accounting practices adopted in Brazil as determined by the Brazilian Corporate law ("Corporate Law"), the Accounting Standards Committee ("CPC"), the Federal Accounting Council ("CFC"), the IBRACON - Institute of Independent Auditor of Brazil ("IBRACON") and additional regulations and resolutions of the Brazilian Securities Commission ("CVM") (collectively, "Brazilian GAAP").

The financial statements have been prepared in Brazilian *reais* and differ from the Corporate Law financial statements previously issued due to the number of periods presented. The financial statements prepared by the Company for statutory purposes, which include the consolidated financial statements and the stand alone financial statements of the parent company, Gafisa S.A., were filed with the CVM in March 2009. The financial statements presented herein do not include the parent company's stand alone financial statements and are not intended to be used for statutory purposes. The Summary of Principal Differences between Brazilian GAAP and US GAAP (Note 22) is not required by Corporate Law and is presented only for purposes of these financial statements.

The statements of cash flows were reclassified from that originally presented as part of the consolidated financial statements for the years ended December 31, 2008, 2007 and 2006.

Law No. 11.638/07 enacted on December 28, 2007 introduced changes to the Corporate Law to be applied as from financial statements presented for the year ended December 31, 2008. To assure consistency of presentation, the Company and its subsidiaries have retroactively applied changes to Brazilian GAAP introduced by the newly formed CPC and the provisions of Law No. 11.638/07 from January 1, 2006 and have elected for tax purposes to adopt Provisional Measure No. 449/08 ("MP No. 449/08"). By opting to apply the provisions of MP No. 449/08, the effects of the accounting changes to Brazilian GAAP introduced by Law No. 11.638/07 and the new CPC standards do not generate tax effects for two years.

The effects of changes to Brazilian GAAP on shareholders' equity and results of operations as at and for the years ended December 31 are as follows:

Shareholders' equity	**2007**
As originally reported	1,530,763
Adjustment to present value of assets and liabilities	(40,971)
Barter transactions - land in exchange for units	4,617
Warranty provision	(2,400)
Depreciation of sales stands, facilities, model apartments and related furnishings	(11,408)
Minority interest	4,055
Other, including deferred taxes	14,072
As presented herein	1,498,728

Net income for the year	**2007**	**2006**
As originally reported	113,603	46,056
Adjustment to present value of assets and liabilities	(22,113)	(13,460)
Barter transactions - land in exchange for Units	4,617	177
Stock option plans	(17,291)	(9,129)
Warranty provision	(1,200)	(1,200)
Depreciation of sales stands, facilities, model apartments and related furnishings	(9,555)	(1,853)
Stock issuance expenses	19,915	18,023
Minority interest	(8,801)	-
Other, including deferred taxes	12,465	5,396
As presented herein	91,640	44,010

(i) Cash equivalents

The Company classifies highly-liquid short-term investments which are readily convertible into a known amount of cash and subject to an insignificant risk of change in value as Cash equivalents, pursuant to CPC No. 03, "Statement of Cash Flows".

(ii) Minority interest and deferred taxes

The Company adjusted minority interest in subsidiaries and recorded deferred taxes on the changes to Brazilian GAAP.

(iii) Financial instruments and fair value

Pursuant to CPC No. 14, "Financial Instruments: Recognition, Measurement and Evidence", financial instruments are classified among four categories: (i) financial assets or liabilities measured at fair value through income, (ii) held to maturity, (iii) loans and receivables, and (iv) available for sale. The classification depends upon the purpose for which the financial assets and liabilities were acquired. Management classifies its financial assets and liabilities when initially recognized.

At December 31, 2008 and 2007, the Company elected to apply the fair value option' to certain financial assets (cross-currency interest rate swaps) and liabilities (foreign currency liabilities) recording these at fair value through income, thereby mitigating volatility from inconsistent measurement bases.

For financial assets without an active market or market listing, the Company measures the fair value by applying valuation techniques. These techniques include the use of recent transactions with third parties benchmarking against other instruments that are substantially similar, analysis of discounted cash flows and option pricing models always maximizing sources of information provided by the market and minimizing management sourced data. The Company evaluates if there is objective evidence of asset impairment at the balance sheet date indicating that a financial asset or a group of financial assets is recorded at an amount which exceeds its recoverable amount.

(iv) Debenture and share issuance expenses

As per CPC No. 08, "Transaction Costs and Premiums on Issuance of Securities", share issuance expenses are accounted for as a direct reduction of capital raised. Transaction costs and premiums on issuance of debt securities are amortized over the terms of the security and the balance is presented net of issuance expenses.

(v) Stock options

As approved by its Board of Directors, the Company offers to its selected executives share-based compensation plans ("Stock Options").

CPC No. 10, "Share-based Compensation" requires that the options, calculated at the grant date, be recognized as an expense against shareholders' equity, over the period the services are rendered through the vesting date.

(vi) Deferred charges

As required by CPC No. 13, "Initial Adoption of Law 11.638/07" and MP No. 449/08, deferred pre-operating expenses were written off to retained earnings at the transition date and amortization expenses were reversed.

(vii) Adjustment to present value of assets and liabilities

In conformity with CPC No. 12, "Adjustment to Present Value", the assets and liabilities arising from long-term transactions were adjusted to present value.

As specified by CPC Interpretation ("CPC (O)") No. 01, "Real Estate Development Entities", for inflation-indexed receivables arising from installment sales of unfinished units, the receivables formed prior to delivery of the units which does not accrue interest, were discounted to present value. The present value adjustment is accreted to Net operating revenue as the Company finances its clients through delivery of the units. The present value adjustment accreted to Real estate development revenue for the years ended December 31, 2008 and 2007 was income of R$ (3,147) and an expense of R$ 39,553, respectively.

As interest from funds used to finance the acquisition of land for development and construction is capitalized, the accretion of the present value adjustment arising from the obligation is recorded in Real estate development operating costs or against inventories of Properties for sale, as the case may be, until the construction phase of the venture is completed. The present value adjustment accreted to Real estate development operating costs for the years ended December 31, 2008 and 2007 resulted in income of R$ (1,838) and an expense of R$ 517, respectively.

(viii) Warranty provision

Consistent with CPC (O) No. 01, the Company records a provision for warranties, unless a third party provides warranties for the services rendered during construction. The warranty term is five years from the delivery of the unit.

(ix) Barter transactions

As per CPC (O) No. 01, for barter transactions of land in exchange for units, the value of land acquired by the Company is calculated based on the fair value of real estate units to be delivered, and recorded in inventories of Properties for sale against liabilities for Advances from clients, at the time the barter agreement is signed. The percentage-of-completion criteria adopted for appropriation of income is also applied to these transactions.

(x) Expenditures on sales stands, facilities, model apartments and related furnishings

As per CPC (O) No. 01, expenditures incurred for the construction of sales stands, facilities, model apartments and related furnishings are capitalized as Property and equipment. Depreciation commences upon launch of the development and is recorded over the average term of one year and subject to periodical analysis of asset impairment.

(xi) Share issuance expenses

As per CPC No. 08, the costs related to the share issuances, originally accounted for as expenses were reclassified, net of tax effects, to the Capital reserve.

(xii) Tax effects and the Transitory Tax Regime ("RTT")

The income tax and social contribution effects arising from the initial adoption of Law 11.638/07, upon election to adopt the provisions of MP No. 449/08, were recorded based on the pre-existing tax regulations.

Gafisa S.A. and its subsidiaries' elections to follow the provisions of the RTT, as provided for by MP No. 449/08, will be declared in the corporate income tax returns (DIPJ) to be filed in 2009.

(xiii) Retained earnings

At December 31 of each year, the remaining balance of retained earnings is appropriated to the applicable reserve accounts, according to the Company's Bylaws, in conformity with the Corporate Law and CVM Instructions.

(b) Use of estimates

The preparation of financial statements in conformity with Brazilian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, the selection of the useful lives of property and equipment, provisions necessary for contingent liabilities, fair values, revenue recognition, taxes, budgeted costs and other similar charges. Actual results may differ from the estimates.

(c) Consolidation of fi