

Analiza dezempenhu negosiu husi Timor Gap E.P (Business analysis of Timor Gap)

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1. Company profile

1.1. Timor Gap, E.P

TIMOR GAP, as Timor-Leste's state-owned national oil company, established by the government in year 2011 has been trusted with the development of the related activities of business for upstream exploration and production. This involves services related, which are to be carried out not only onshore but also offshore, within and outside of national territory.

As a national company, Timor Gap, E.P was also given the implementation of all the downstream business activities but not limited to storage, refining, procession, distribution and also petroleum sale, which consist of industry of petrochemical.

The national oil company of Timor-Leste created by the government in 2011 and entrusted with the development of business activities for upstream exploration and production, including services, to be carried out onshore and offshore, within and outside of the national territory. In the year 2017, the company restructured its corporate structure to reflect better in its business and goals to achieve and to focus back to its main business. This year saw the company only achieve in two areas, its upstream business by signing two onshore agreement production sharing contract (PSC) with the Timor resource. Furthermore Timor Gap, E.P also has been investing in the downstream business to increase company profit, at the same time promoting the Timor Gap's national pride state owned company brand by investing in the Suai fuel station. In 2013 The Company signed its professional contract through its subsidiary TIMOR GAP PSC 11-106, Unipessoal, Lda. (TIMOR GAP) in Joint Petroleum Development Area (JPDA) of Timor Sea of the PSC 11-106 exploration. It was the first experience for the company to take part in the exploration of PSC 11-106. The PSC 11-106 was 24 % of the shared owned by Timor Gap while ENI as the operator company had 40.53 % of the share, and INPEX, while the last 35. 47 % of the share was owned by joint venture partner.

The company has few different business units which comprises of the corporate service unit, the business infrastructure unit, exploration and production unit, refinery and petroleum unit, the gas business unit, the finance unit, quality, health, safety and environment unit, and new venture unit. As in 2017, the company had 160 employees, comprising of 96 percent local professionals and 4 percent foreign employees. According to the company's strategic and business plan 2016 – 2035, the company plans to recruit 160 employees per year as to respond to future plans in the development of the great project of Tasi Mane Project, such as the development Betano LNG Plant, the Refinery and Petrochemical Complex, and Suai Supply Base.

1.1.1. Timor Gap, E.P Subsidiaries Companies.

According to the government decree law No. 31/2011, Timor Gap, E.P is authorised to incorporate subsidiaries with both national and international companies that have operation in East Timor within the Petroleum industry and related industry. The company's subsidiary business share are owned by the Timor Gap, E.P, therefore the company control all the strategic planning activities including normal corporate and technical rule, accounting and administration, financial and legal matters. The subsidiaries companies are: GAP-MHS Aviation, Lda, TIMOR GAP OIL & Gas Marine and Logistics, TIMOR GAP Seismic Services, TIMOR GAP Offshore Block, Unipessoal, Lda, TIMOR GAP Onshore Block, Unipessoal, Lda, TIMOR GAP Drilling & Services, Unipessoal, Lda, TIMOR GAP Chuditch, Unipessoal, Lda, TIMOR GAP Offshore Block Resources, Unipessoal, Lda.

• Company Analysis

2.1. Financial Analysis

This section focuses on the financial analysis focus on Timor Gap, E.P as a state-owned company. The analysis includes efficient, regular and critical assessment or investigation on the information contained in the Timor Gap financial statement, with an aim to provide information that will be effective and meaningful to investors. It is an aspect of the general function of business finance that includes examining the historical data to get evidence and the information about the current and future financial health of the Timor Gap, E.P.

2.1.1. Common Size

Table 2 below shows the consolidated financial position of Timor Gap, E.P for the last few years since its establishment in 2011. The company's economic valued assets expanded all the time and this advantaged the company. By looking closely at the end of 2017 financial position of the Timor Gap, E.P, total assets significantly increased by about \$ 7,589,258 in comparison of the past few years.

Timor Gap, E.P as national oil company, obviously, if compared to the other state-owned companies in the country's different sectors, Timor Gap, E.P's fixed and long-term investment is much greater than the other companies. The non-current assets of the company are about \$ 2,273,586, which accumulated about 29. 95% from total assets. Even though the non-current assets are slightly decreased about \$ 269,298 from the year 2016. The slight decrease of non-current assets in the last few years are due to decreased investment in property, plant and equipment of the company. The investment in fixed assets such as property, plant and equipment make the greater number of total assets since the establishment of the company, despite the slight decrease in 2017.

In table 2 also shows a slight decrease in intangible assets involving goodwill/patents/ trademarks/copyright from 19.57 %, which is about \$ 763,513 in 2016 to 12. 36% totalling \$ 654,447 in 2017. Despite the decrease in some non-current assets of the company, the total assets still account for a greater number compared to previous years due to the deferred tax assets, which is about 23.79% or \$ 1,806,092 in total. The investment of the Timor Gap, E.P slows down as it still makes part of the company's assets. The consolidated financial statement of the company reveals that the item of the company's cash and equivalent is twice bigger with a total of \$ 3,184,183 in 2017 compared to 2016's \$ 1,090,918.

Table 1. Common size of Timor Gap, E.P

In Millions of USD per 12 Months	2013	2014	2015	2016	2017
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Ending					
Total assets					
\$6,367,424	\$	4,039,388	\$4,066,770	\$3,905,720	\$7,589,258
Non-Current assets					
Property, plant and equipment	14.91%	24.65%	19.40%	29.57%	12.36%
Intangible assets	2.67%	16.05%	21.13%	19.54%	8.62%
Capital work in progress			11.06%		4.29%
investment in subsidiaries					
Investment in associates	26.89%	28.60	5.02%	15.99%	4.68%
	44.48%	69.30%	56.61%	65.1%	29.95%
Current assets					
Deferred Tax Assets					
Trade and other receivables	25.47%	16.33%	14.52%	5.79%	23.79%
Inventory				1.17%	0.64%
Cash and Cash equivalents	30.04%	14.37 %	28.87%	27.94%	41.97%
Total Current assets	55.52%	30.70%	43.39	34.9%	70.05%
Total assets	100%	100%	100%	100%	100%
Equity and liabilities					
Equity					
Contributed equity	39.26%	61.89%	61.49%	64%	32.94%
Accumulated losses	-24.00%	-60.41	-10.34%	-11.88%	32.84
Total equity	15.25%	1.47%	51.15%	52.12%	65.78%
Current liabilities					
Trade and other payables	15.40%	61.48%	21.96%	19.70%	15.64%
Provision for Income Tax					6.0%
Unearned fixed contract service fees and project advances	69.35%	37.05%	26.89%	28.18%	12.58%
Total Current Liabilities	84.75%	98.53	48.85	47.88%	34.22%
Total equity and liabilities	100%	100%	100%	100%	100%

Source: Annual report of Timor Gap, E.P

Since the establishment of the company, a record zero allocation to inventory as part of company assets was recorded between the years 2013 and 2014. Even though the inventory figure in 2015 is 1.17 percent, representing a total of \$ 45,788 from total assets, it recorded a 0.64 percent decrease in the physical goods owned by the company. It seems like the company did not upgrade or invest much in its inventory in 2016. They recorded 47% of total liabilities, decreasing to 34 percent which is about 2,596,890 by end of the 2017. Meanwhile, 2017 saw an increase in total equity to 65.78% from 52.12% in 2016.

Table 2. Change in Percentage sheet 1

In Millions of USD	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Trade and other Receivable	60.70	-59.21	-10.58	-61.76	22.16
Inventory				-6.81	
Fixed Assets	-12.15	4.08	-20.43	46.84	-18.71
Total Assets	8.88	-36.56	0.68	-3.96	94.31
Trade and other Payable	31.05	154.17	-64.11	-13.61	54.21
Total liabilities	35.70	-26.24	-50.06	-5.90	38.87
Total Equity	-48.09	-93.88	3,379.72	-2.10	145.23

Source: Annual report of Timor Gap, E.P

Table 2 above shows changes in percentage. It can be noted from the table that the company did not invest much in inventory between 2013 and 2017. There was a slight decrease of 6.81 percent in 2017 compared to the 2015 investment. The revenue of the company, as shown in table 3, shows that its budget is basically solely funded by government every year since establishment. It is the government grant which dramatically increased to 98 percent in 2017 about \$ 11,900,000, comparing to all the previous years. It is also an increase in the company earnings before interest and tax (EBIT) in 2017 about 294.25 percent which about \$ 1,514,026, while in 2016 the EBIT is less than minus 80 percent which is only about \$ 384,021. Another efficiency of the company can be seen also through where having an increase of the operating income of the company \$ 1,630,100 in 2017 compare to all the years before since 2013 to 2016 where the company absolutely under performances. The company operating income is having an increased drastically from \$ -35,937 2016 to \$ 1,630,100 in 2017 or increased by 4.635.99%. The company underperform in 2016, as the total comprehensive income of the company is only \$ 48,021.

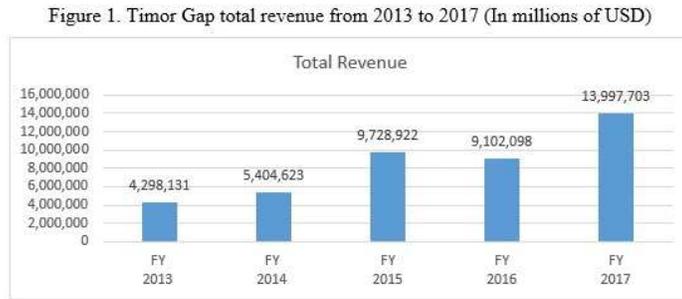
Table 3. Percentage Change sheet 2

In Millions of USD	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenue from the Government grant	52.32	25	94	-38.14	98.33
EBIT	-252.99	1.31	-321.48	-80.98	294.25
Operating Income/loss	-263.86	-11.04	-191.47	-102.22	4,635.99

Total Comprehensive income -243.26 1.31 -321.48 -97.62 5,865,88

Source: Annual report of Timor Gap, E.P

Figure 1. Timor Gap total revenue from 2013 to 2017 (In millions of USD)



Source: Annual report of Timor Gap, E.P

Source: Annual report of Timor Gap, E.P

The above figure 1 shows the total revenue that Timor Gap, E.P has received in every specific year from different types of items or income between 2013 and 2017. In 2017, roughly \$11,900.000 Million was received from government grant, the remaining income about \$2,007,703 are basically generated from the business operation such as the exploration of onshore, farm out, profit of on sale fuel and lastly the fixed contact service fees. Therefore, the total revenues reveal in 2017 is about \$13,997,703, the real **revenue change impacts of business's over-all operations**, the total revenue shows slightly increased every different year, as the company has additional income from the downstream business, on shore exploration and other incomes.

2.1.2. Cash Flow Analysis

Table 4: Percentage change in sheet 3

In Millions of USD	FY 2014	FY 2015	FY 2016	FY 2017
Cash Generate from Operation	24.96	-42.94	37.04	172.51
Capital Expenditure	-232.24	-410.79	-37.31	172.52
Cash and Cash Equivalent of the years	-69.58	101.84	-7.12	191.88
Net Change in Cash	26.36	-144.50	-114.11	-2,601.69
Free Cash Flow	-108.08	-52.58	-671.80	-591.04
Free Cash flow to the firm	-906.62	-98.01	-124.40	-2,655.65

Source: Annual report of Timor Gap, E.P

Table 4 above shows the three major activities of the company; operation, investing and financing. The business cycle of the company in terms of operating, and investing are normally the foundation of the cash flows, the investing activities, which is normally a use of cash flow. Looking overall in terms of the free cash flows and free cash flow to the firm, in 2017 the cash flows to the firm has increased significantly about 2,655.65% compared to the year in 2016 which is -124.40 %. The company has increased in generating the cash about 172.51 % which is about \$2,542,923, this indicates that the company has done better if compared to the previous years. The capital expenditure from 2014 to 2015 show negative, but the figure improves and change positively in 2017 about 172.51%.

However, table 5 below shows the company generating net cash flows of \$ 2,616,654 in three categories operating, investment and financing activities. The company generates net cash flows from operating activities but used in cash flow in investing activities and financing activities, as the number shows in both investing and financing activities are negative numbers, obviously, therefore the company faces the debt burden under the political uncertainty in the country and the downturn of the oil prices and unstable of income.

In Millions of USD	FY	FY	FY	FY	FY
	2013	2014	2015	2016	2017
Net cash flow from Operating activities	-1,989,856	1,184,899,53	676,057	498,788	2,616,654
Net cash used in investing activities	252,087	405,833	317,147	-586,393	-377,766
Net Cash flow from financing activities	1,188,317	-922,172	-2,922,172	3,931	-145,614

Table 5. Cash Flow Sheet

Source: Annual report of Timor Gap, E.P

It can be concluded that the money realised from the revenues is not enough to keep the company running as can be witnessed by the negative figures above -377,766. The company will therefore need a lot of cash investment in order to realise any profits. Considering the relying of the Timor Gap on the State budget and the Timor Gap's current investment project and mostly of the oil and gas industry and other related industry which require a lengthy investment condition, it does make sense that it would will show negative figure on the net cash flow from financing activities and net cash used in the invest sting activities.

Overall, can be seen that the cash inflows in 2017 shows negative and the negative proportions are justified by the less cash flows generated through the operating activities, therefore the operating activities accounted for the negative proportion of cash inflows in 2017. The operating activities are financed by the grant or subsidy from the government. This financial situation indicates that the company is running a loss with an increased financial risk.

2.1.3. Ratio Analysis.

This liquidity ratio analysis determines how capable a company is to pay off any current debt without raising external capital. It also measures the ability of the company to pay obligations debt and its margin of safety. Current ratio and quick ratio are the measurements used to check a company's ability to pay any short term debt. The current ratio of Timor gap between year 2013 to 2016 is below 1, in 2017 the company has the current is 2.06. While the quick ratio from 2013 to 2015 of the company has slightly similar figures as the current ratio

Table 6. Liquidity ratios

In Millions of USD	FY	FY	FY	FY	FY
	2013	2014	2015	2016	2017
Current ratio	0.65	0.31	0.88	0.75	2.06
Quick Ratio	0.65	0.31	0.88	0.72	2.04

Source: Annual report of Timor Gap, E.P

Analyzing the financial situation of Timor Gap, E.P on its liquidity ratio for current ratio and quick ratio through 2013 to 2016 is generally and relatively below 1. This indicates that the company has less ability to use its current assets and liquid to meet its current or short-term liabilities or obligation. The company also did not have capital on hand to meets its short-term obligation. Overall the current ratios and quick ratios of Timor Gap, E.P shows the company liquidity position was weak between 2013 and 2016. The descriptive statistics of quick ratio shows that the company has less inventory and has not fully equipped with enough assets. This should come as no surprise, considering the financial condition of Timor Gap, E.P. However, for noting that the quick ratio and the current Timor Gap, E.P 's only in 2017 is slightly different, the liquidity ratio is above 2, that means that in only this particular years the company is able to meets its current and short-term obligation. However, with general obvious analysis can be concluded that Timor Gap, E.P is averagely facing liquidity shorted company is not in a good position for any short-term solvency.

Table 7. Leverage ratios

In Millions of USD	FY	FY	FY	FY	FY
	2013	2014	2015	2016	2017
Total Debt / Equity	5.55	66.93	0.95	0.91	0.52
Total debt/ Capital	0.84	0.98	0.48	0.47	0.34
Total Debt / Total Assets	0.84	0.98	0.48	0.47	0.34
Debt / EBITDA	-10.32	-9.32	0.76	1.69	1.27

Source: Annual report of Timor Gap, E.P

In the Oil and Gas industry, debt is something that cannot be avoided, however, debt itself is not always something that bad. Therefore, particularly ratio is suitable to use. At some point, the company requires to measure its finances in terms its capital to help meet its financial obligations. Timor Gap, E.P as national owned company, by looking at the debt to equity ratio of the company from the year of 2013 to 2014, the company's debt was considered slightly big when looking at the turn over and the capacity as a new established company. It shows that the company does not have a solid cash-inflow. However, from 2015 to 2017, the company debt to equity ratio is below 1, which means that the company's debt is not higher than company equity, the company has a solid cash-inflow in these particular years. In 2017, it can be seen that the company's debt to equity ratio is so much lower, indicating that the company owned less debt which was even lower than 50% relative to the company total equity value. On the other hand, observing the Timor Gap's debt to asset ratio, considerable proportion show below 1 % from 2013 to 2017. It also indicates that there is a financial stability in the company, the proportion of the Timor Gap's assets are not being financed with the debt, the proportion of the assets of the company is still far bigger than company debt, considerably the company is not in financial risk of business in term of debt.

Looking at the perspective of the company debt to EBITDA ratio, the company earnings before interest expense, taxes, depreciation and amortization, here also basically utilized to measure the financial leverage of the company. Even though 2013 and 2014 saw a higher debt compared to the ratio of the Timor gap, the end of 2016 and 2017 saw some stability in debt. This is because the debt to EBITDA ratio was about 1.69 and 1.27, indicating that the company is safe in terms of debt and operates at a safe level of earnings, based on the capacity of the company and has enough capacity to pay back the debt.

Table 8. Profitability ratios

In Millions of USD	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Return on Equity	-92.66	-3307	97.1	2.35	57.38
Return on Asset	-14.73	-17.52	49.83	1.2	49.8
Operating Margin	-46.26	-32.68	16.61	-0.39	11.64
Net income Margin	-20.96	-16.87	20.76	0.52	20.46

Source: Annual report of Timor Gap, E.P

Table 8 above shows how profitable the company is in terms of using its resources and assets can relatively generate income, the ratios of profitability are an indicator for the overall efficiency of the firm. The figures above also give an insight into the performance of Timor Gap, E.P from 2013 to 2017 and how well the company's assets are managed generate profit. Timor Gap, E.P's return on asset in 2017 is about 49.8% and 48.6 % higher than in year 2016 which is only about 1.2 %, it considers stable if we look it from the year 2013 to 2017, even though in 2016 the return on assets decline hugely as the supply equipment in oil and gas market does slightly changed in terms of price, in addition to that Timor Gap, E.P lost its Kitan oil field project with ENI Australia.

Looking at the figure of the return on equity, at year 2017 the return on equity is 57.38 %, at this figure the company generates income to the contributor equity, the return equity in 2017 is higher than 2016 about 2.35 %. In year 2014 where the return on equity decreases to negative 3307 %, the company losing efficiency in making the production and profit and falls in return on equity. However, it shows 2015 is the best year if compared to all the years. in 2015 the company makes better in return on equity and more profit and saving in the other side.

Meanwhile, for the overall operating margin figures are not so much impressive. In year 2013, 2014 and 2016 the operating margin are -46.26 %, - 32.68 percent and -0.39 %. However. The operating margin in 2015 about 16.61 %, despite in 2017 the operating margin reaches 11.64%. Overall, analysing the operating margin of the company, it can be concluded that the company does not operate efficiency, as the company has been under performed in short term.

The net income margin indicates the overall profit or loss growth. In year 2017 Timor Gap, E.P's net income margin ratio is about 20.46 % which is higher than in 2016 which is 0.52 %. Throughout 2013 to 2017, the highest net income margin of Timor gap is 20.76 % which is in year 2015, and the lowest is -20.96 % in year 2013.

It can be analysed based on the ratios above that Timor Gap, E.P in 2013, 2014, and 2016 were dragged down, where the net income margin 2013 to 2014 fell, one of the factors affected was the downturn of oil price. Despite the company shows recovery in 2015, however, in 2016 the net income margin completely fell again due to one of the major investment in Kitan oil field was shut down as shown no economic value due to the collapse to the global oil price.

The analysis of profitability margins for Timor Gap, E.P using its revenue, operating margin, return on assets, return on equity, and net income margin, shows falling profitability. Despite the company's net income margin recording some positive figures for the period 2015 to 2017, majority of the revenue is from government grant.

• SWOT Analysis.

The report results in a view of the strengths, weaknesses, opportunities and threats in the industry, this analysis also assess its capacity to execute a plan or achieve an attainable goal beside provide analysis which also focus Timor Gap,E.P business. Timor Gap,E.P must continually make adjustment to maintain its optimal function. This swot analysis is to analyse the internal and external business environment of Timor Gap, E.P. Beside that the aim of this analysis also to bring the company into balance with the external environment and also to maintain its balance over time.

Strengths

- Timor Gap, E.P has been investing in its staff professional development. Timor Gap has been committing to the skills and capabilities of staff enhancement. The professional development tends to focus on the staff's job-related skills. The company believes that in oil industry the skills of the staff contribute directly to the functioning of company's business. The development of staff capacity is through on the job training with the other oil and gas companies in oil industry that has partnership with Timor Gap, E.P.
- Timor Gap, E.P's net income margin in 2017 is 20.6% which is better than in 2016 at 0.52 %.
- Despite Timor Gap, E.P shows less profitable and under-perform but the company is not being financed by debt. Timor Gap, E.P as national oil company of East Timor entrusted with the development of business activities for upstream exploration and production continue being subsidized by the government.
- Timor Gap, E.P receives a consistent equity of \$2,500,000 for the last seven years that has helped the company sustain its operations besides the government subsidy.

Weaknesses

- Financial data analysis also reveals that the company has under- performed in its core oil and gas industry. The company has been operating at a loss since its establishment seven years ago. The company's operation has also been greatly affected by the erratic global returns on the oil and gas market, resulting in unrealized gains and does not demonstrate any potential for gains.
- Timor Gap E.P has been totally depending on the government grant to sustain the whole of its operation. The company has not been profitable in its industry and operated at loss since its establishment in 2011.
- The Timor Gap, E.P's liquidity position is weak from 2013 to 2016. The company has less inventory and has not fully equipped with enough assets. Timor Gap, E.P has been facing liquidity shorted.
- Timor Gap, E.P has not been awarded many professional contracts and the company has been relying on new exploration and development of oil field by other contractor.

Opportunities

- As state owned company, Timor Gap, E.P continues to represent government of East Timor in oil industry. Timor Gap,E.P is entrusted with the development of business activities for upstream exploration and production, including services (LNG, Refinery and Supply Base & Petroleum Services) in the southeast coast of East Timor.
- Another business opportunity is that Timor Gap, E.P and Australian partner Timor resources signed two PSCs covers two onshore blocks TL-OT-17-08 and TL-OT-17-09 with Autoridade Nacional do Petroleo e Minerais (ANPM) the country's national authority for petroleum and minerals recently in early of 2018. The exploration for two particular blocks are currently going on, and these basically

are the first onshore project for both partnership companies.

Threats

- As the company has been relying on the capital injection from the East Timor government to be fully operated, the company also pretty facing high risk in terms of the liquidity of its assets. The company has not possessed much of any valuable assets in which can be converted easily to cash to meet its short term and long term obligations.
- Timor Gap E.P has not been profitable and therefore failed to contribute any revenue to the East Timor government since its inception. Concerns about the status quo continuing include costs that would be related to environmental issues resulting from the development of the oil and gas industry. An analysis of the political environment revealed that the business could have been affected when the rules and regulations were altered by the government, which may have increased the likelihood of the company's closure

3. Conclusions and recommendations

The oil industry is considered one of the strongest branches of global economics. Both East Timor and the rest of the world is greatly affected by what goes on in the oil and gas market. Though the market has had challenges that have negatively impacted these economies, the industry has recently recorded a slight improvement. The Policy adopted by the OPEC and some non-OPEC countries, the growth of the global economy and the increasing of the oil demand globally has brought the oil price to the acceptable level and has impacted towards the change of economy in some countries.

East Timor relies on oil and gas sectors and was therefore affected by the dramatic decrease of oil prices. The country's revenue from the oil and gas sector is mainly from the field of Bayu Undan (BU) and has continued decreasing in the last few years. Additionally, the development and production of oil had to be stopped due to the decrease in oil prices. Government of East Timor continue to invest towards the development of the onshore and offshore studies and exploration through Timor Gap, E.P. The government has been invested towards the Timor Gap, E.P for the last seven years with the aim of bringing more income to the country.

After conducting a company analysis, it can be concluded that Timor Gap, E.P segment is not performing well as it has been running on a loss for the past seven years. Even though the industry its operating in has seen some fluctuations in terms of stability, the company itself has struggled to make reasonable profits despite being subsidised by the government. The financial data reveals no hope for future profitable business. The company has clearly failed to draw profits even during the time the industry is profitable and growing. Therefore, suggests the following recommendations as a means of improving the company's finances and making it profitable again;

- Increase the cash flow of the company. It is very important for Timor Gap,E.P to increase its cash flow and to have a clear future cash flow in order to have capability to cover its debt obligation and to avoid from issues of financial flexibility
- Timor Gap, E.P should review the profitability of the company and do assessment of value contribution closely relate with the profitability of the company.
- It is very essential for Timor Gap, E.P to extend its current downstream business in order to increase its profitability. Despite the profit from downstream business is not the same as the profit upstream business. By investing in the downstream business will able to increase its profitability and persuade investor about the value of keeping both upstream and downstream in the incorporated organization.
- **Timor Gap,E.P should strength its current downstream business such as retail fuel station with focus on profitability, as it is also a core revenue and essential to increase its profit and brand.**
- Lastly, For East Timor government as the main investor of Timor Gap,E.P that Timor Gap,E.P encounters financial risk and strategic risk, and Timor Gap, E.P position in the oil and gas industry is extremely unsolid, difficult and risk. Seven years operates in the country shows that the company's assets and capital are very disadvantage for the company to continue to operate and explore new project in the current slow economy of the country, even though the global oil price prospect shows advantages in the next few years. The company continues rely on the subsidy from the government to be well operated. Therefore, East Timor government should take into a consideration of its investment on Timor Gap,E.P that the company is not an ideal investment for East Timor government, Timor Gap, E.P will continue unprofitable and a burden for a country state budget every year.

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