

YOU CAN'T INSURE AGAINST BUILDER INSOLVENCY, BUT YOU CAN STILL PROTECT YOUR PROJECT

Is your project exposed to the cash flow issues of others?

Whether the result of material/labour costs rising significantly on a fixed price contract or deliberate underquoting to win a tender, many Builders are now finding themselves in a position where they are no longer able to complete projects for the amount agreed. That shortfall needs to be covered.

Are your funds being used to pay another Developers' bills?

Managing multiple projects from a single bank account remains standard practice, making it practically impossible for a Builder to avoid using funds intended for one project to pay bills linked to another.

This 'swings & roundabouts' approach carries extreme risk, particularly in today's market. If any project linked to your Builder runs into financial trouble, it is likely to be brought to completion with 'borrowed' funds, essentially shifting the cash shortfall into other Developers' projects. Completing these will likely require new contracts to be won (often 'bought' with a low margin bid) & the cycle repeats.

Audits can't predict risks that may arise during your build

The recent wave of highly publicised Builder insolvencies has led to ever increasing scrutiny on Builder finances however, audits have their limitations. Information gleaned is representative of a 'point in time' only, rarely providing any real insight into any looming cash shortfalls.

Even if available resources appear sufficient at the time of contract award, no audit can forecast factors that may negatively impact a project linked to your Builder during the construction of your project.

REPUTATIONS & TRACK RECORDS ARE IMPORTANT, BUT NO ONE IS IMMUNE



Recent events have shown that even Builders with great reputations & an extensive track record are not immune. It's rarely malice that sends Builders into administration, rather a string of unexpected losses or, if it's big enough, it may only take one. It's not intent, it's circumstance & circumstances can change quickly.

No matter how rigorous your Builder vetting process or how viable your project, your investment can be exposed if ANY project linked to your Builder runs into financial trouble. The impact of a Builder becoming insolvent in the midst of your project is immense. From unpaid Sub-Contractors & the potential for gaps in warranties to the laborious task of unravelling all linked transactions to find missing funds, you're unlikely to avoid significant delays to practical completion.

WHAT IS IPEX?

IPEX is an online payment platform that secures Developer funds intended for a project, protecting them in the event of Builder insolvency.

IPEX software integrates with a dedicated construction project bank account to ensure that progress payments are used only to pay approved Sub-Contractors & Suppliers linked to that specific project. IPEX provides Developers with visibility over who has been paid & when, without sharing a Builders' commercially sensitive information.

Protection if your Builder becomes insolvent

Whilst IPEX can't prevent your Builder from running into cash flow issues during your build, it does offer Developers & Lenders a range of protections in case they do.

Should your Builder become insolvent before completing an IPEX Project, the impact is minimised as:

- any progress payment made via the IPEX platform has either been distributed to approved parties or remains in the account &
- the Developer may replace the Builder as trustee of the project funds, gaining full visibility of all previous transactions & the ability to make payments directly to Suppliers & Sub-Contractors, removing much of the work associated with financial auditing & substantiation of creditor claims, while minimising delays to practical completion.

HOW DOES IPEX PROTECT DEVELOPER INVESTMENT?

Shields your project from all others & ensures your money is spent on your project

IPEX stops progress payments from being used for any purpose other than paying approved parties, removing much of the motivation behind manipulation of claims.

'Test' due diligence outcomes & deter Builders with cash flow issues from tendering

IPEX confirms what most audits can't: any Builder willing to operate within the IPEX framework is stating that they have no need to divert your money to another project. Builders who need to 'buy' a project simply won't bid.

Provides transparency over how Builders are distributing your funds

IPEX allows you to confirm which Sub-Contractors & Suppliers have been paid prior to approving further progress payments. Developers can cross check payments against work performed rather than being completely reliant on the 'stat dec' process.

Additional security given limitations of 'point in time' Builder audits & Insurance 'gaps'

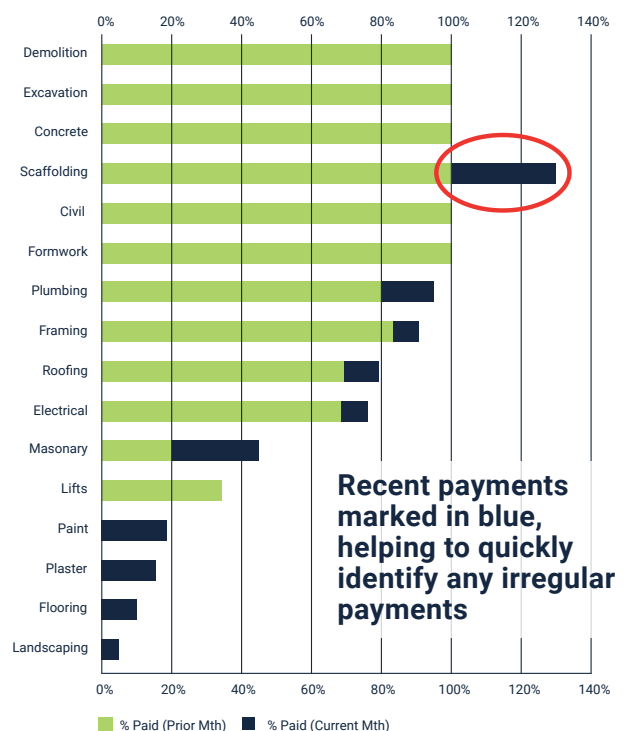
You can't insure against Builder Insolvency but protecting your investment with IPEX is the next best thing, ensuring that your project cannot be 'borrowed from'. Even if one or more projects linked to your Builder run into financial trouble, IPEX maintains a ring-fence around your funds.



IPEX

MONTHLY DEVELOPERS REPORT

% TOTAL PAYMENTS STATUS REPORT: IPEX APARTMENTS – MAR 23



HOW DO I IMPLEMENT IPEX ON MY NEXT PROJECT?

Developers can mandate the use of an IPEX Project Trust Account by including the suggested IPEX clause within the Builder/Head Contractor contract.

It is strongly recommended that IPEX be used as an additional layer of protection whenever commencing a project of higher risk i.e. a first time collaboration with a certain Builder) or on any project whereby key stakeholders deem that bearing the full impact of a Builder insolvency is unacceptable.



STEP 1: Include IPEX in your Tender Documents

IPEX will provide clear and simple wording for insertion into your Tender Documents & Head Contract.



STEP 2: Award Contract to your Head Contractor

IPEX will contact the successful Head Contractor and communicate the onboarding process.



STEP 3: Head Contractor opens Project Trust Account

The onboarded Head Contractor will now be able to open up the Project Trust Account & these details will be shared with the Principal.



STEP 4: Authorise Head Contractor Progress Payments

Head Contractor progress payments will now be directed to the Project Trust Account rather than their regular bank account.



STEP 5: You now have visibility & control over your funds

Login to the IPEX payment interface to check who has been paid & when before releasing further payments.



Project Trust Accounts are held with Macquarie Bank



Book a **FREE DEMO** today at www.ipex.com.au to learn more about securing project payments with IPEX
IPEX.COM.AU



TESTIMONIALS

Balmain&Co.

“Based on our experience IPEX should be mandatory. It is now an integrated and essential part of our governance. It’s delivering a new standard of providing trust downstream to our subcontractors and suppliers that they’ll be paid and upstream to our clients and the financial institutions funding these projects.”

Ken O’Connor, Director,
Balmain & Co

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“IPEX delivers the security of funds subcontractors need on projects. Everyone prices risk into jobs; however, with the IPEX concept, there is a reduction of payment risk, which should translate into a more competitively priced trade insurance outcome. It’s really in everyone’s best interests in the long run to use IPEX.”

Sam Leslie, General Manager,
Nash Project Management

KERVALE

“Once we were aware of IPEX and decided to implement this new standard for project payments, it was a seamless onboarding and end-user experience. It reduces risk and addresses trust and relationship building in one platform. This will put us in a powerful position as the demand for construction labour increases”

Rob Moolman, Managing Director,
Kervale

SMA

“As a developer, I want to know that my money is going to my project and not somebody else’s. IPEX gives me this peace of mind so when things go wrong, I know exactly where my money is and how it has been spent”

Martin Strode, Director,
SMA



Book a FREE DEMO today at www.ipex.com.au to learn more about securing project payments with IPEX
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