

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

FLAG TELECOM HOLDINGS LIMITED,
FLAG LIMITED
FLAG ATLANTIC LIMITED,
FLAG ATLANTIC HOLDINGS LIMITED,
FLAG PACIFIC USA LIMITED,
FLAG TELECOM GROUP SERVICES LIMITED,
FLAG TELECOM LIMITED
FLAG TELECOM USA LTD.,
FLAG ASIA LIMITED, AND
FLAG ATLANTIC USA LIMITED,

Debtors.

Chapter 11

Case Nos. 02-11732 through 02-11736 and 02-11975 through 01-11979 (ALG)

(Jointly Administered)

Hearing Date: January 9, 2003, at 10:00 a.m.

Objection Deadline: January 2, 2003, at 5:00 p.m.

APPLICATION OF DELOITTE & TOUCHE UK FOR FINAL ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED FROM SEPTEMBER 17, 2002 THROUGH OCTOBER 9, 2002 INCLUSIVE.

**TO THE HONOURABLE ALLAN L. GROPPER
UNITED STATES BANKRUPTCY JUDGE:**

1. Deloitte & Touche UK ("D&TUK"), accountants to FLAG Telecom Holdings Limited ("FTHL") and its affiliated debtors and debtors in possession (collectively the "Debtors") in the above-referenced Chapter 11 case, hereby submit the final application (the "Application") pursuant to sections 330(a) of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

2. On April 12, 2002, FTHL, FLAG Limited, Flag Pacific USA Limited, FLAG Atlantic Holdings Limited and FLAG Atlantic Limited filed voluntary petitions for relief under the Bankruptcy Code. On April 23, 2002, FLAG Telecom Group Services Limited, FLAG Telecom Limited, FLAG Telecom USA Ltd., FLAG Asia Limited and FLAG Atlantic USA Limited filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. April 12, 2002 or April 23, 2002 may each be referred to in this application as a "Petition Date" as the context requires.

3. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are authorized to operate their business and manage their properties as debtors in possession. Pursuant to the Federal Rules of Bankruptcy Procedure, all of the Debtors' chapter 11 cases are being jointly administered.

4. This Court approved the Debtors' employment of D&TUK to render services as described in the application to retain and employ D&TUK, dated September 16, 2002 (the "Retention Application") by an order dated September 26, 2002.

5. By order dated September 26, 2002, this Court confirmed the Third Amended and Restated Joint Plan of Reorganization of Debtors Under Chapter 11 of the Bankruptcy Code (as amended, supplemented, or otherwise modified, the "Plan"). The Plan became effective on October 9, 2002.

SUMMARY OF PROFESSIONAL COMPENSATION AND REIMBURSEMENT OF EXPENSES REQUESTED

6. D&TUK seeks allowance of compensation for professional services rendered during the Application Period and reimbursement of expenses incurred in connection with such services of £47,446 and £450 (\$74,490 and \$707¹) respectively.

7. There is no agreement or understanding between D&TUK and any other person, other than members of the firm and, for the sharing of compensation to be received for services rendered in these cases.

8. D&TUK's fees in these cases were billed in accordance with the hourly rates set out in the Retention Application, which are the same rates as charges in comparable non-bankruptcy related matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in the competitive UK accounting advisory market.

SERVICES RENDERED BY AAUK

9. The description of services below summarises the primary services rendered by D&TUK which can be categorised as follows:

- (A) Prepare a report on the application of certain accounting principles and practices in connection with confirmation of the Debtors' chapter 11 plan of reorganization;
- (B) Preparation of the affidavit for the retention of D&TUK.

A Prepare a report on the application of certain accounting principles and practices in connection with confirmation of the Debtors' Chapter 11 plan of reorganisation.

D&TUK were engaged to comment on the application of fresh-start reporting presented in the plan of reorganisation. The assignment was undertaken at short notice, ahead of the confirmation hearing on September 26, 2002 and involved experienced partners and staff familiar with the Debtors and expert in the application of Generally Accepted Accounting Principles in the U.S. Due to certain matters arising during the assignment we agreed an additional discount with FTHL's management.

¹ Translated at \$1.57: £1 for convenience only.

B Preparation of the affidavit for the retention of D&TUK

In connection with the preparation of the affidavit for retention we conducted inquiries of other parts of D&TUK and of other firms within the DTT network prior to swearing that affidavit. We also discussed with Gibson Dunn & Crutcher, counsel to the Debtors, the preparation of the affidavit. The affidavit for retention was prepared in a short time frame due to the deadline for the report requested.

Exhibit 1 sets out the hours incurred by each individual involved in the above assignments.

D&TUK's REQUEST FOR FINAL COMPENSATION

The allowance of final compensation for services rendered and reimbursement of expenses incurred in bankruptcy cases is expressly provided for in section 331 of the Bankruptcy Code:

Debtor's attorney, or any professional person...may apply to the court not more than once every 120 days after an order for relief in a case under this title, or more often if the court permits, for such compensation for services rendered...as is provided under section 330 of this title.

11 U.S.C. § 331

Concerning the level of compensation, section 330 (a) (1) of the Bankruptcy Code provides, in pertinent part, that the court may award to a professional person, including the debtor's attorney:

Reasonable compensation for actual, necessary services rendered by the...professional person, or attorney...

11 U.S.C. § 330

The Congressional intent and policy expressed in section 330 of the Bankruptcy Code is to provide for adequate compensation to continue to attract qualified and competent practitioners to bankruptcy cases.

D&TUK submits that its request for final allowance of compensation is reasonable. The services rendered by D&TUK were appropriate and necessary and created substantial benefits to the Debtors and their estates.

Dated December 6, 2002

By: /s/ Ric M. Williams
Ric M. Williams
Partner
180 Strand
London
WC2R 1BL

EXHIBIT 1**Schedule of hours and fees incurred by D&TUK between September 12, 2002 and October 9, 2002****Application of accounting practices and principles**

	Rate	Hours	Fees £
Ric Williams Lead Partner	605	28	16,940
Neil Hutt Engagement Director	500	47	23,500
Julian Thomas US GAAP Partner	605	10	6,050
Doug Barton US GAAP QA Partner	605	8	4,840
Ken Stoler US GAAP Expert Manager	500	8	4,000
			55,330
Customary discount for FTHL work			(8,300)
Additional agreed discount			(7,030)
			40,000

Preparation of retention affidavit

	Rate	Hours	Fees £
Ric Williams Lead Partner	605	10	6,050
Neil Hutt Engagement Director	500	3	1,500
Gwyn Griffiths Risk Management/QA Partner	605	2	1,210
			8,760
Customary discount for FTHL work			(1,314)
			7,446

