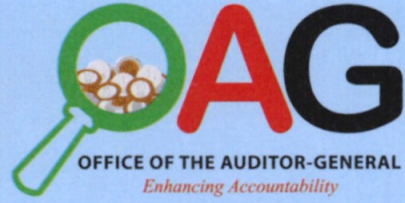


REPUBLIC OF KENYA



**REPORT**

**OF**


**PARLIAMENT  
OF KENYA  
LIBRARY**

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL SECURITY  
TELECOMMUNICATION SERVICE**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

|   |                        |
|---|------------------------|
| <br><b>THE NATIONAL ASSEMBLY<br/>PAPERS LAID</b> |                        |
| <b>DATE:</b> 10 MAR 2026  | <b>DAY:</b><br>TUESDAY |
| <b>TABLED BY:</b>   | HON. DWEN BAYA, MP     |
| <b>PRESENT AT TABLE:</b>  | CHRISTINE NDIRITU      |

+



OFFICE OF THE AUDITOR GENERAL  
P.O. Box 30084 - 00100, NAIROBI  
RECORDS OFFICE  
02 DEC 2025  
RECEIVED



---

**NATIONAL SECURITY TELECOMMUNICATIONS SERVICE  
REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED  
30<sup>TH</sup> JUNE 2025**

---

**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Table of Contents**

|     |   |       |
|-----|---|-------|
| 1.  | Acronyms, Abbreviations and Glossary of Terms .....   | iii   |
| 2.  | Key Entity Information and Management.....  | iv    |
| 3.  | The Board of Directors.....   | vii   |
| 4.  | Key Management Team .....   | x     |
| 5.  | Chairman’s Statement .....  | xii   |
| 6.  | Report of the Director General.....   | xiii  |
| 7.  | Statement of Performance against Predetermined Objectives for FY 2024/2025 .....                                | xiv   |
| 8.  | Corporate Governance Statement.....   | xvii  |
| 9.  | Management Discussion and Analysis.....   | xviii |
| 10. | Environmental and Sustainability Reporting .....  | xviii |
| 11. | Report of the Directors .....   | xxi   |
| 12. | Statement of Directors Responsibilities .....   | xxii  |
| 13. | Report of the Auditor General on the Financial Statements of National Security Telecommunications Service ..... | xxiv  |
| 14. | Statement of Financial Performance for the year ended 30 June 2025 .....  | 1     |
| 15. | Statement of Financial Position as at 30 June 2025 .....  | 2     |
| 16. | Statement of Changes in Net Assets for the year ended 30 June 2025 .....  | 3     |
| 17. | Statement of Cash Flows for the year ended 30 June 2025 .....   | 4     |
| 18. | Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025.....                       | 5     |
| 19. | Notes to the Financial Statements .....   | 6     |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**1. Acronyms, Abbreviations and Glossary of Terms**

**A: Acronyms and Abbreviations**

|       |  |
|-------|--|
| CEO   | Chief Executive Officer                            |
| DG    | Director General                                   |
| CBK   | Central Bank of Kenya                              |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards   |
| MD    | Managing Director                                  |
| NT    | National Treasury                                  |
| OCOB  | Office of the Controller of Budget                 |
| OAG   | Office of the Auditor General                      |
| OSHA  | Occupational Safety and Health Act of 2007         |
| PFM   | Public Finance Management                          |
| PPE   | Property Plant & Equipment                         |
| PSASB | Public Sector Accounting Standards Board           |
| SAGAs | Semi-Autonomous Government Agencies                |
| MDA   | Ministries, Departments, and Agencies              |
| BPO   | Business Process Outsourcing                       |

**B: Glossary of Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation

**Comparative Year-** Means the prior period.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**2. Key Entity Information and Management**

**a. Background information**

The National Security Telecommunication Service (NSTS) mandate is pursuant to Executive Order No. 4 of 2020 (Legal Notice No 4, July 2020). The NSTS mandate is to provide Telecommunication Services within the National Security Sector and to other National Government agencies in order to enhance the quality of communication Services for enhanced National Security.

The history of the NSTS has its roots in the Kenya multi-agency doctrine which has continued to promote multi-agency approach to operations in the last 8 years with positive outcomes in responding to National Security threats. One of the critical enablers of multi-agency operations is secure and reliable communication information systems which should facilitate effective coordination and timely decision making through seamless information sharing amongst the Security Agencies.

**b. Principal Activities**

- (1) Develop and maintain multi-agency communication and information system.
- (2) Coordinate multi-agency telecommunication activities in the country and externally.
- (3) Recommend and advise the National Government on the development of relevant legislation to facilitate successful implementation of the Kenya multi-agency telecommunication programmes:
- (4) Recommend national multi-agency telecommunication policies, strategies and programmes.
- (5) Promote capacity building in multi-agency telecommunication and its applications.
- (6) Establish centre of excellence in multi-agency telecommunication sector.
- (7) Enter into mutually beneficial bilateral and multilateral agreements with persons, agencies or bodies in furtherance of its mandate.
- (8) Identify, prepare and facilitate the implementation of inventions and innovations in multi-agency telecommunication technologies.
- (9) Provide leadership in coordinating and supporting research in multi-agency telecommunications.
- (10) Monitor and evaluate the telecommunication practices of the security organs and government institutions.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**c. Key Management**

The *Entity's* day-to-day management is under the following key organs:

| No. | Designation            | Name                          |
|-----|------------------------|-------------------------------|
| 1.  | Board of Directors     | <b>Gen C M Kahariri</b>       |
| 2.  | Accounting officer/ DG | <b>Brig N Marwanga</b>        |
| 3.  | Manager 1              | <b>Ms Rael Tororei</b>        |
| 4.  | Manager 2              | <b>Mrs Jane Nzula Mutinda</b> |

**d. Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2025 and who had direct fiduciary responsibility were:

| No. | Designation                                | Name                            |
|-----|--|---------------------------------|
| (1) | DG/CEO                                     | <b>Brig N Marwanga</b>          |
| (2) | DDG/Head of Corporate Services             | <b>Ms Rael Tororei</b>          |
| (3) | Chief Finance and Administrator<br>Officer | <b>Lt Col Osike Judith</b>      |
| (4) | Head of Finance                            | <b>Mrs Jane Nzula Mutinda</b>   |
| (5) | Head of Procurement                        | <b>Mr Jonathan Kiilu Wambua</b> |

**Key Entity Information and Management (continued)**

**e. Entity Headquarters**

P.O. Box 36078-00200  
Herufi House  
Lt Tumbo Avenue  
Nairobi, KENYA

**f. Entity Contacts**

Telephone: (254) 120301401  
E-mail: [info.nsts@mod.go.ke](mailto:info.nsts@mod.go.ke)  
Website: [www.nsts.go.ke](http://www.nsts.go.ke)

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**g. Entity Bankers**

Kenya Commercial Bank  
University Way Branch  
A/C No: 1283447649 (KES)  
1283447797 (USD)

Cooperative Bank of Kenya  
Parliament Road Branch  
A/C No: 01141747374100

**h. Independent Auditor**




Auditor-General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**i. Principal Legal Adviser**


The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**1. The Board of Directors**

| Ref | Directors   | Details  |
|-----|---|--|
| 1.  |    | <p>Gen Charles Kahariri, EGH CBS, 'nwc' (USA), 'psc'(K) was promoted and appointed to be the Chief of the Defence Forces, on the 02 May 2024. Prior to his current appointment, he served as the Vice Chief of the Defence Forces from 09 March 2024. He enlisted in the Kenya Defence Forces on 03 Apr 1987 and was commissioned as an Officer (Second Lieutenant) on 15 April 1988. Following his commissioning, he underwent further training in the United Kingdom before serving in various capacities on board ships within the Kenya Navy Fleet.</p> <p>He is the Chairman of the NSTS Board wef 02 May 2024</p>  |
| 2.  |   | <p>Dr. Patrick Mariru, PHD, CBS is the Principal Secretary, MOD. He is an advocate of the High Court of Kenya. He holds a Bachelor's degree in law, post graduate diploma in law, master's degree in public policy and management and master's degree in divinity. Dr. Mariru holds a Doctor of Philosophy in Leadership and Governance from JKUAT. He is a dedicated Public Policy and Management Expert with local, national and international experience of over 15 years in public policy development, community engagement, program development and supporting national government initiatives.</p> <p>He has been a member of the NSTS Board of Directors from 15 February 2024.</p> |
| 4.  |  | <p>Mr. Noordin Mohamed Haji, OGW, CBS is the Director General NIS. He was born on 3 July 1973. He is an advocate of the High Court of Kenya. He is the second Director of Public Prosecutions after the promulgation of the Constitution of Kenya 2010, which made the Office an independent entity from the Attorney General's Office, which it had been previously under.</p> <p>He has been a member of the NSTS Board from 14 June 2023</p>  |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**




|    |   |  |
|----|---|--|
| 5. |    | <p>Mr Douglas Kanja Kirocho is the Inspector General of Police. Prior to his appointment, Mr. Kanja had served as commandant of the General Service Unit since 2018. He has also served in various capacities, including as the Director of Criminal Investigations (DCI), the Commandant of the Anti-Terrorism Police Unit (ATPU), and the Director of Operations at the National Police Service (NPS). He has also served in various parts of the country, including Nairobi, Coast, Eastern, and Rift Valley regions.</p> <p>He is a member of the Board from 19 September 2024.</p>      |
| 6. |   | <p>Mr Patrick Mwitii Aranduh is the Commissioner General of Prisons. He is an ex-officio Governing Council member of the National Crime Research Centre and a career officer who has risen through the ranks in the prisons department. He is a member of the Audit Committee. He holds a Master in Leadership and Governance, a Bachelor of Security Management &amp; Policing Studies and a Diploma in Crime Management and prevention.</p> <p>He is a member of the Board from 24 July 2024.</p>  |
| 7. |  | <p>Dr. Erastus Kanga (HSC) is the Director General of Kenya Wildlife Service (KWS). Dr. Kanga has over 20 years' experience in biodiversity conservation, climate change vulnerability assessment and mapping, bio-enterprises, and community livelihood support. He has a long trajectory in biodiversity conservation, including (five) 5 years of Service as the Secretary for Wildlife at the Ministry of Tourism, Wildlife &amp; Heritage, and 16 years of extensive work experience with the Kenya Wildlife Service.</p> <p>He is a member of the NSTS Board from 06 December 2022</p> |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

|     |   |   |
|-----|---|---|
| 8.  |    | <p>Mr Bruno Isohi Shioso is the Director General Kenya Coast Guard Services (KCGS) and was a former police officer and a law enforcement agent with the National Police Service with a Service experience spanning more than 30 years.</p> <p>He is a member of the NSTS Board wef 13 April 2023</p>  |
| 9.  |   | <p>Mr Alex Lemarkoko is the Chief Conservator of Forest (CCF).<br/>He holds a Bachelor of Science degree in Forestry from Moi University and a Master of Arts in International Studies from the University of Nairobi.<br/>He is also a graduate of the National Defence College, Kenya.<br/>He has been a member of the NSTS Board of Directors from 08 August 2023.</p>   |
| 10. |  | <p>Maj Gen B Waliaula is the Director General National Security Industries. He has attended various military courses and qualified professionally at various levels. He is a holder of a Masters degree in Military Operational Art and Science from Air University, USA and Master of Science degree in The Science of National Security Strategy from College of Defence Studies, China.<br/>He has been a member of the NSTS Board of Directors from 15 February 2024.</p> |
| 11. |  | <p>Brig Daniel O Odeny is the Chief Legal Officer at the Directorate of National Security Industries. He holds a Bachelor of Laws from the University of Nairobi and postgraduate diploma from the Kenya School of Law. He is an Advocate of the High Court of Kenya and a member of the Institute of Certified Secretaries of Kenya.</p>   |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**1. Key Management Team**

|    | <b>Management</b>   | <b>Details</b>                           |
|----|---|--|
| 1. |  <p><b>Name: Nyatigo Marwanga</b><br/>Rank: Brigadier</p>        | Director General                         |
| 2. |  <p><b>Name: Rael Tororei</b></p>                              | DDG/Head Corporate Services              |
| 3. |  <p><b>Name: Osike Judith</b><br/>Rank: Lieutenant Colonel</p> | Chief Finance and Administration Officer |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

|    |   |   |
|----|---|---|
| 4. |  <p><b>Miss Jane Nzula Mutinda</b><br/>Bachelor of Commerce (Finance), Masters of Science (Finance &amp; Accounting) &amp; Certified Public Accountant - CPA (K)</p>       | Assistant Accountant General              |
| 5. |  <p><b>Mr Jonathan K Wambua</b><br/>Bachelor of Business Administration, Master of Business Administration &amp; Certified Institute of Procurement and Supply (CIPS)</p> | Principal Supply Chain Management Officer |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**1. Chairman's Statement**

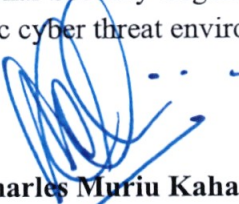


On behalf of the Board of Directors, I am pleased to endorse the Annual Report and Financial Statements of National Security Telecommunications Service for the Fiscal Year 2025/256. This report highlights major activities and achievements in line with NSTS mandate of providing telecommunication services to the National Security Organs and National Government Administration Offices (NGAO).

NSTS is to fulfil this mandate by developing, operating and maintaining a Multi-Agency Communication and Information Systems (MACIS) common core network for seamless inter-agency communication.

The national security environment in the Country has continued to underscore the need for effective multi-agency approach, increasingly advancing to whole-of-Government approach to national security operations. This requires common situational awareness, efficient coordination and effective execution by all Ministries, Departments and Agencies (MDAs) hence the need for timely information sharing. Assured and secured telecommunication services therefore play a pivotal role hence positioning NSTS as a critical enabler of Multi Agency Security Operations. In the period under review, NSTS enhanced provision of telecommunication services through a new microwave network in Nairobi, upgraded Jambotel Core Network, increased internet connectivity to the National Security Organs and commenced installation of a 5G-ready redundant Core Network at Karen.

Having been established in 2020 and domiciled under the Ministry of Defence, NSTS was first allocated funds from the exchequer through the Ministry in FY 22/23 and therefore the current FY 24/25, is the third year of exchequer financing. NSTS will continue to utilize allocated funds prudently to ensure fulfilment of its mandate, ensuring that it remains responsive to the telecommunication needs of the National Security Organs and other National Government Agencies in the increasingly complex and dynamic cyber threat environment.

  
**General Charles Muriu Kahariri, EGH CBS, 'nwc'(USA), 'psc' (K)  
Chairman, Board of Directors**

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**1. Report of the Director General**



It is with great honour that I present to you the National Security Telecommunications Service (NSTS) Annual Financial Report and Statement for the period ending 30 June 2025. I confidently report that under the valuable guidance of the Board of Directors, NSTS was able to register positive progress during the period as captured in its inaugural Strategic Plan 2024-

In the period under review, NSTS received funds from the following revenue streams:


|                      |                               |
|----------------------|-------------------------------|
| Leasing of frequency | - Nil                         |
| GoK Grant            | - <u>Kshs. 300,000,000.00</u> |
| <b>Total</b>         | <b>- Kshs. 300,000,000.00</b> |

The major activities undertaken in line with NSTS core mandate were:

- a. Operationalization of a Multi-Agency microwave network in Nairobi.
- b. Upgrade of Jambotel Core Network.
- c. Increased internet bandwidth to the National Security Agencies.
- d. Successful integration of the new microwave network with fibre network and Starlink for connection to far flung areas including Manda Naval Base.
- e. Human Capacity building, both technical and non-technical.

Additionally, NSTS attended and actively participated in three (3) continental meetings organized by the Africa Telecommunications Union (ATU), in Namibia, Lesotho and Nairobi. The meetings seek to build consensus and a common stand towards a World Radio Conference to be held by the International Telecommunications Union (ITU) in 2027, to discuss emerging issues on optimal and fair utilization of frequency spectrum. NSTS holds frequency spectrum as its main asset for CAPEX and therefore has interests to be protected in the Conference.

On behalf of all NSTS staff, I hereby express sincere gratitude to the Board of Directors for their valuable guidance during the period under review. I further assure the Board that the Management shall maintain the focus, sustain the effort, dedication and hard work in implementing the Strategic Plan 2024-2027, in fulfilment of its mandate.

  
**Brigadier Nyatigo Marwanga EBS 'ndu'(USA) 'psc'(K) 'psc'(ZAM)**  
**Director General**

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**7. Statement of Performance against Predetermined Objectives for FY 2024/2025**

NSTS has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023/2028-1. These strategic pillars/ themes/ issues are as follows:

**Application of multi-agency Telecommunication Services in the three pillars of the Kenya Vision 2030**

**Political Pillar**

|   |   |
|---|---|
| Rule of Law, Security, Peace Building and Conflict Management | Multi-agency Telecommunication applications will support efficient legal and judicial Services, surveillance and forensic investigations by providing National Security informatics supporting law and order, Security and crime prevention internally and externally. It can be used to provide fast Telecommunication emergency and support Services.   |
| Transparency and Accountability                               | National Security Telecommunication applications support access to information and data through the provision of robust multi-agency communication platforms in order to meet communication requirements at all levels in terms of secrecy, privacy, promoting transparency and accountability in the balance between state responsibilities and human rights.  |
| Democracy and Public Service Delivery                         | The Kenyan system of government enshrines the rule of law and strives to protect the equality and dignity of all individuals. National Security Telecommunication applications and Services are critical and will continue to be needed to strengthen and promote our system of governance minimizing Security threats amongst our citizens and promoting a sense of belonging and patriotism to enhance democracy and public Service delivery.   |
| Devolution  | NSTS will provide an integrated platform for efficient communication through enhanced coordination as a result of real-time information exchange between multi-agencies both at devolved and central levels. Through country-wide expansion National Security Telecommunication will support e-government platforms, and initiatives at county levels, crime and insecurity within counties will be monitored effectively and efficiently in real-time. Another area will be the enablement of Security organs and National Government agencies to effectively prevent real-time the consequences of terrorist threats and internal conflicts which include refugee problems and which transcend geographical contiguity. |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Application of multi-agency Telecommunication Services in the three pillars of the Kenya Vision 2030**

**Social Pillar**

|   |  |
|---|--|
| Health  | National Security Telecommunication applications platform will facilitate sharing of data and information for planning and decision-making particularly in regard to the spread of communicable diseases, crime and terrorism.   |
| Population, Urbanization and Housing                    | National Security Telecommunication applications and Services will enable the country to cater for the protection and Defence of its citizenry as the country advance and develop urbanization that is sustainable and socially inclusive that promotes equality, combats discrimination in all its forms and empowers individuals and communities.  |
| Education, Training and Research                        | Telecommunication and technology in National Security will support education and training. A stronger workforce with career-long training and skill building will also build enduring advantages that bolster NSTS strength and resilience. NSTS innovation programs will be supported by high-speed internet connectivity on modern Telecommunication networks countywide and will also enhance learning for remote and isolated communities and learners with special needs.   |
| Environment, Water, Sanitation and Regional Development | Water in security anticipates the ample threat to livelihood, economy, development, environment, peace, Security, and poverty reduction efforts in our country. Through NSTS, Security multi agencies and MDAs will be able to share secure informatics on internal and external threats toward water reservoirs, and catchment areas to enable efficient monitoring of reservoir water levels by providing early warning of shortages or overflows.   |
| Gender, Youth and Vulnerable Groups                     | Compliance with obligations under international laws and instruments integrating gender into National Security policy-making is necessary to comply with international and regional laws, instruments and norms concerning Security and gender. Domestic violence contributes to a general pattern of crime and violence, due to its debilitating effects on the social fabric and its role in socializing youths to use violence as a means of dispute resolution. National Security Telecommunication through its communication network infrastructure will provide secure data to other Security and MDAs to monitor such violence. |
| Sports, Culture and Arts                                | The National Security Telecommunication secure broadband network will provide an efficient platform for MDAs responsible for Sports, Culture, and Arts to distribute digital signals for sports with improved quality of images and soundtrack. This will enable the Sports, Culture, and the Arts Sector to continue playing a crucial role in National development and the well-being of the people through the development and promotion of sports, promotion, and exploitation of Kenya's diverse culture.   |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Application of multi-agency Telecommunication Services in the three pillars of the Kenya Vision 2030**

**Economic Pillar**

|                                   |  |
|-----------------------------------|--|
| Agriculture (Crops and Livestock) | <p>The National Government agencies responsible for monitoring soil, drought and floods, crop development, pests, diseases and rainfall will be able to share real-time data using the National Security Telecommunication network platform.</p>   |
| Manufacturing                     | <p>NSTS will support strategic industries, such as critical infrastructure and advanced technologies. This will provide a strong domestic manufacturing base, production, and commercialization to increase the share of manufacturing to GDP through a more economic stability and secure environment. A technologically strong, vibrant, and resilient manufacturing sector is critical for meeting the defense needs of a nation, in addition to ensuring its economic Security.</p>  |
| Tourism                           | <p>Tourism is a key driver of socio-economic progress and offers job creation and enterprises, infrastructure development, and export revenues earnings. NSTS will provide MDAs that deal with the tourism industry with a secure network infrastructure to liaise closely with the Security agencies in Kenya to ensure that visitors' safety is a high priority.</p>   |
| Trade                             | <p>NSTS will provide MDAs responsible for promoting trade with a secure platform to support e-commerce, mapping of markets, trading centers, market facilities, and product information.</p>   |
| Business Process Outsourcing      | <p>Telecommunication applications in National Security will support BPO and IT enabled Services sector call centers to enhance their great potential that they bring on economic growth and development. Secure broadband with high-speed broadband connectivity will support BPOs with increased demand and supply of Services being offered online by both public and private sector.</p>  |
| Financial Services                | <p>The Financial Services Sector represents a vital component of our nation's critical infrastructure. Large-scale power outages, and an increase in the number and sophistication of cyberattacks demonstrate the wide range of potential risks facing the sector. National Security Telecommunication applications and Services will provide a stable and secure network infrastructure for multi-agencies to effectively respond to the cybersecurity and physical risks facing the Financial Services Sector. This will require close collaboration between NSTS, and host of public and private entities to share real-time information exchange.</p> |
| Oil, gas and minerals             | <p>Energy Security is the association between National Security and the availability of natural resources (Oil, gas and minerals) for energy consumption. Through its secure network, NSTS will enable cross agency communication with regards to protection of our country natural resources against illegal exploitation and mining.</p>   |
| Blue Economy                      | <p>Innovation and growth in the coastal, marine and maritime sector could</p>  |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Application of multi-agency Telecommunication Services in the three pillars of the Kenya Vision 2030**

deliver food, energy, transport, among other products and solutions and serve as a foundation for sustainable development in Kenya. National Security and the new blue economy are inextricably intertwined. In the absence of Security, the vast majority of the economic activities associated with the Blue Economy cannot be effectively carried out. NSTS applications and secure network platform will facilitate and improve cross-sectoral cooperation and interoperability at National and regional level as in integrated maritime surveillance and information sharing. This will strengthen our country response to maritime Security risks & threats.

**8. Corporate Governance Statement**

NSTS held three Board meetings in the Financial period i.e. 30 June 2025. The Board meetings were attended by all the 11 members. The Service has a Board Charter. The appointment and removal of Directors is as per Mwongozo – The Code of Governance for State Corporations. The roles of the Board are as follows;

- (a) Determine the organization’s mission, vision and mandate.
- (b) Review, evaluate and approve, on a regular basis, long-term plans for the organization.
- (c) Review, evaluate and approve the organization’s budget and financial forecasts.
- (d) Review, evaluate and approve major resource allocations and capital investments.
- (e) Ensure that the procurement process is cost-effective and delivers value for money.
- (f) Review and approve the operating and financial results of the Service.
- (g) Ensure that effective processes and systems of risk management and internal controls are in place.
- (h) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession.
- (i) Review, evaluate and approve the remuneration structure of the Service.
- (j) Adopt, implement and monitor compliance with the Service’s Code of Conduct and Ethics.
- (m) Review periodically the organization’s strategic objectives and policies relating to sustainability and social responsibility investment.
- (n) Monitor compliance with the Constitution, all applicable laws, regulations and standards.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

(o) Review, monitor and ensure that the Service is effectively and consistently delivering on its mandate

The Board members did not have any conflict of interest between their private activities and their part in the conduct of the Service business.

Board Remuneration: Board members were remunerated as per the Mwongozo guidelines with the only payment made being board meetings allowances.

## **9. Management Discussion and Analysis**

NSTS has undertaken several projects namely installation of point-to-point microwave unlicensed microwave, modernization of transport fleet, modernization of ICT communication for the provision of internet Services and provision of clean power to our internet transmission sites to selected National Security Agencies with Nairobi region. The major challenge in fulfilment of the Service mandate late disbursement of funds from the Exchequer.

## **10. Environmental and Sustainability Reporting**

### **a. Sustainability Strategy and Profile:**

- To improve institutional performance and productivity
- Continuous provision of Telecommunications Services.

### **b. Environmental Performance:**

#### **Clean power transmission energy;**

NSTS has embarked on using green energy to compliment hydro energy and other source. All the NSTS microwave backbone transmission sites have been installed with solar energy. This has reduced Carbon emissions through the use of clean energy.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**



Embakasi Garrison



Ngong hills

**c. Tree Planting**

In line with the government’s landscapes and ecosystems restorations programme, the Service planted 500 seedlings in the Karen block area as assigned by the Kenya Forest Services and also within Embakasi Garrison.



**d. Employee welfare**

The organization has developed strategic plan 2024 – 2027 which has been approved by the Board. The Service has undertaken capacity building to Staff by providing training to various Officers in various courses e.g. Certified Fibre Optiv Technician, Cisco certified Network Professional ENCOR and Comptia A+ and still endeavour to observe and take into account the morale and welfare of the personnel by nominating them for career progression courses and scheduling them for leave depending on the existences of duty.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**e. Market place practices**

**(1) Responsible Competition Practice**

The organization practice open tender system and requests for quotation from the general public. There are procedures put in place to ensure fair competition, respect for competitors and avenues for corruptions are sealed as much as possible.

**(2) Responsible Supply Chain and Supplies Relations**

The Service endeavours to ensure that all suppliers are given equitable opportunities in provision of goods, works, Services and consultancies. The Service is cognizant of the Government policy of promoting businesses owned by youth, women and people with disabilities. The Service in its procurement budget has been reserving thirty (30) percent of procurement to the said categories.

**(3) Responsible Marketing and Strategy**

The organization still being in its inception stage does not have a marketing and advertisement policy in place.

**(4) Product Stewardship**

The organization being a Service provider, ensures that the customers rights and interests are taken care into account especially by dealing with complaints as soon as they are raised.

**f. Corporate Social Responsibility (Community Engagement)**

The organization has not carried out any corporate social responsibility but has included it in its strategic plan for the next four (4) years.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the period ending 30 June 2025, which show the state of NSTS's affairs.

**a. Principal Activities**

- (1) Coordinate and regulate multi-agency Telecommunication activities in the country and externally.
- (2) Recommend and advise the Government on the development of relevant legislation to facilitate successful implementation of the Kenya multi-agency Telecommunication programmes:
- (3) Recommend National multi-agency Telecommunication policies, strategies and programmes.
- (4) Promote capacity building in multi-agency Telecommunication and its applications.
- (5) Establish centre of excellence in multi-agency Telecommunication sector.
- (6) Enter into mutually beneficial bilateral and multilateral agreements with persons, agencies or bodies in furtherance of its mandate.
- (7) Identify, prepare and facilitate the implementation of inventions and innovations in multi-agency Telecommunication technologies.
- (8) Provide leadership in coordinating and supporting research in multi-agency Telecommunications.
- (9) Monitor and evaluate the Telecommunication practices of the Security organs and government institutions.
- (10) Ensure that the multi-agency Telecommunication Service is efficient and effective

**b. Results**

The results of the Entity for the period Ending 30 June 2025 are set out on page 1.

**c. Directors**

The members of the Board of Directors who served during the year are shown on page viii - xi.


**d. Surplus Remission**

During the period ending 30 June 2025, no surplus was remitted to the National Treasury.

**e. Auditors**

The Auditor-General is responsible for the statutory audit of NSTS in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year.

By Order of the Board

  
.....

**Brig Daniel Omondi Odeny**

**Company Secretary/Secretary to the Board**

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**12. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and the Companies Act 2015 require the Accounting Officer and the Directors to prepare financial statements in respect of National Security Telecommunication Service (NSTS), which give a true and fair view of the state of affairs of NSTS at the end of the financial year/period and the operating results of NSTS for that year/period. The Directors are also required to ensure that NSTS keeps proper accounting records which disclose with reasonable accuracy the financial position of NSTS. The Directors are also responsible for safeguarding the assets of the NSTS.

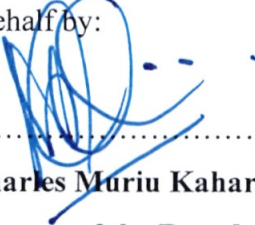
The Directors are responsible for the preparation and presentation of the NSTS's financial statements, which give a true and fair view of the state of affairs of NSTS for and as at the end of the period ending 30 June 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of NSTS; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of NSTS; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for NSTS's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Companies Act, 2015. The Directors are of the opinion that the NSTS's financial statements give a true and fair view of the state of NSTS's transactions for the period ending 30 June 2025, and of NSTS's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for NSTS, which have been relied upon in the preparation of the NSTS's financial statements as well as the adequacy of the systems of internal financial control.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

In preparing the financial statements, nothing has come to the attention of the Directors to indicate that NSTS will not remain a going concern for at least the next twelve months from the date of this statement.

The NSTS's financial statements were approved by the Board on \_\_\_\_\_ 2025 and signed on its behalf by:

  
.....  
**Gen Charles Muriu Kahariri**  
**Chairperson of the Board**

  
.....  
**Brig Nyatigo Marwanga**  
**Accounting Officer**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL SECURITY TELECOMMUNICATION SERVICE FOR THE YEAR ENDED 30 JUNE, 2025**

---

### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Security Telecommunication Service set out on pages 1 to 37, which comprise of the statement of

financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Security Telecommunication Service as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

### **Basis for Qualified Opinion**

#### **Unsupported Long Outstanding Receivables**

The statement of financial position reflects receivables from exchange transactions of Kshs.224,621,162. The receivables balance was in respect of annual fees on utilization of national frequencies by two telecommunications service providers collected by the Communications Authority of Kenya (CAK) on behalf of the Service. However, the Service has not received payments from CAK for annual fees over last three years. Further, review of the agreement between the Service and CAK did not clearly spell out the amount of the annual fees payable and the Service relied on the information provided by CAK. In addition, there was no policy on the impairment of long outstanding receivables casting doubt on the fair statement of the receivables from exchange transactions.

In the circumstances, the accuracy and full recoverability of the outstanding receivables from exchange transactions of Kshs.224,621,162 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Security Telecommunication Service Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the prior year audit report, three issues were raised under the Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively. These include long outstanding receivables, lack of approved human resource policy instruments and failure to conduct Board evaluation. Review of the status during audit of the Service in 2024/2025 revealed that the matters remained unresolved.

### **Other Information**

The Management is responsible for the Other Information set out on page iv to xxiii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Director General, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the National Security Telecommunication Services financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in

the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of Approved Human Resource Instruments**

Review of Human Resource and Board meetings records indicates that the Company has in place draft Human Resource Policy Instruments. However, as reported in the previous year, the Human Resource Policy Instruments including Human Resource Policy and Procedures Manual, Organizational Structure, Staff Grading and Establishment, and Career Guidelines have not been approved by the State Corporations Advisory Committee (SCAC) in accordance with Circular No. OP/SCAC.9/21/1/1 of 15 May, 2017.

Further, as at 30 June, 2025, the Service had a total of sixty-two (62) officers drawn from various National Security Agencies and The National Treasury. However, the staff establishment provided in the 2024-2027 Strategic Plan is not well defined in terms of the number of staff resources required.

In the circumstances, the Company may not be able to effectively discharge its mandate.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. The information given in the Directors' report on pages xxi is consistent with the financial statements.

### **Responsibilities of the Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the 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 is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

10 December, 2025

**National Security Telecommunications Service (NSTS)**  
**Annual Report and Financial Statements**  
**for the Period ending 30 June 2025**

**13. Statement of Financial Performance for the year ended 30 June 2025**

| Description                                   | Note | 2024/25            | 2023/24              |
|---|------|--------------------|----------------------|
|   |      | Kshs.              | Kshs.                |
|   |      |                    | Restated             |
| <b>Revenue from non-exchange transactions</b> |      |                    |                      |
| Transfers from Ministry of Defense            | 6    | 300,000,000        | 300,101,000          |
|   |      |                    |                      |
| <b>Revenue from exchange transactions</b>     |      |                    |                      |
| Rendering Of Services                         | 7    | 261,033,605        | *260,195,104         |
| Finance income                                | 8    | 265,706,414        | *87,274,637          |
|   |      |                    |                      |
| <b>Total revenue</b>                          |      | <b>826,740,019</b> | <b>647,570,741</b>   |
| <b>Expenses</b>                               |      |                    |                      |
| Use of goods and services                     | 9    | 410,731,118        | *673,185,753         |
| Employee Costs                                | 10   | 17,892,400         | -                    |
| Board Expenses                                | 11   | 1,370,000          | 1,180,000            |
| Depreciation and amortization expense         | 12   | 92,538,046         | 23,919,545           |
| Repairs & Maintenance                         | 13   | 9,915,720          | 9,420,442            |
| <b>Total expenses</b>                         |      | <b>532,447,284</b> | <b>707,705,740</b>   |
| <b>Other gains/losses</b>                     |      |                    |                      |
| Foreign Exchange Gains                        | 14   | (21,053,864)       | (141,211,418)        |
| <b>Surplus/(deficit) before tax</b>           |      |                    |                      |
| Surplus Remission to Treasury                 |      |                    |                      |
| <b>Surplus/Deficit</b>                        |      | <b>273,238,871</b> | <b>(201,346,417)</b> |

The notes set out on pages 6 to 31 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

.....  
**Brig N Marwanga**  
**Accounting Officer**

Date

.....  
**Jane Nzula Mutinda**  
**Head of Finance**  
**ICPAK M/No:9033**

Date

.....  
**Gen C M Kahariri**  
**Chairman of the Board**

Date

National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025

14. Statement of Financial Position as at 30 June 2025

| Description                             | Note | 2024/2025             | 2023/2024             |
|---|------|-----------------------|-----------------------|
|   |      |                       | Kshs                  |
|   |      |                       | Restated              |
| <b>Assets</b>                           |      |                       |                       |
| <b>Current assets</b>                   |      |                       |                       |
| Cash and cash equivalents               | 15   | 1,051,040,129         | 1,917,647,234         |
| Receivables from exchange transactions  | 16   | 224,621,162           | 143,267,514           |
| <b>Total Current Assets</b>             |      | <b>1,275,661,291</b>  | <b>2,060,914,748</b>  |
| <b>Non-current assets</b>               |      |                       |                       |
| Property, plant, and equipment          | 17   | 295,763,485           | 159,573,192           |
| Intangible assets                       | 18   | 34,397,162,078        | *33,658,373,250       |
| <b>Total assets</b>                     |      | <b>35,968,586,854</b> | <b>35,878,861,190</b> |
| <b>Current Liabilities</b>              |      |                       |                       |
| Trade and other payables                | 19   | 1,044,000             | 1,044,000             |
| <b>Non-Current Liabilities</b>          |      |                       |                       |
| Deferred Income                         | 20   | 2,156,159,482         | *2,335,839,438        |
| <b>Total liabilities</b>                |      | <b>2,157,203,482</b>  | <b>2,336,883,438</b>  |
| <b>Net assets(A-B)</b>                  |      | <b>33,811,383,372</b> | <b>33,541,977,751</b> |
| <b>Represented By</b>                   |      |                       |                       |
| Capital Fund                            |      | 33,654,540,000        | *33,658,373,250       |
| Accumulated surplus ( <i>Reserves</i> ) |      | 156,843,372           | * (116,395,499)       |
| <b>Total net assets and liabilities</b> |      | <b>33,811,383,372</b> | <b>33,541,977,751</b> |

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

.....  
Brig N Maswanga  
Accounting Officer

Date

.....  
Jane Nzula Mutinda  
Head of Finance  
ICPAK M/No:9033

Date

.....  
Gen C M Kahariri  
Chairman of the Board

Date

National Security Telecommunications Service (NSTS)  
 Annual Report and Financial Statements  
 for the Period ending 30 June 2025

15. Statement of Changes in Net Assets for the year ended 30 June 2025

| Description                      | Capital Reserve | Accumulated surplus | Total          |
|----------------------------------|-----------------|---------------------|----------------|
|                                  | Kshs.           | Kshs.               | Kshs.          |
|                                  | Restated        | Restated            |                |
| Balance as at 1 July 2023        | *33,658,373,250 | *84,950,919         | 33,743,324,169 |
| Surplus/(deficit) for the period |                 | *(201,346,417)      | (201,346,417)  |
| Funds received during the year   |                 |                     |                |
| Transfers                        |                 |                     |                |
| As at 30 June 2024               | *33,658,373,250 | *(116,395,499)      | 33,541,977,752 |
| Balance as at 1 July 2024        | 33,658,373,250  | (116,395,499)       | 33,541,977,752 |
| Surplus/(deficit) for the period |                 | 273,238,871         | 273,238,871    |
| Funds received during the year   |                 |                     |                |
| Transfers                        |                 |                     |                |
| As at 30 June 2025               | 33,658,373,250  | 156,843,373         | 33,815,216,622 |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**16. Statement of Cash Flows for the year ended 30 June 2025**

| <b>Description</b>  | <b>2024/2025</b>     | <b>2023/2024</b>     |
|---|----------------------|----------------------|
|   | <b>Kshs.</b>         | <b>Kshs.</b>         |
|   |                      | <b>Restated</b>      |
| <b>Cash flows from operating activities</b>                 |                      |                      |
| <b>Receipts</b>   |                      |                      |
| Transfers from Parent Ministry                              | 300,000,000          | 300,101,000          |
| Rendering of Services                                       | -                    | *-                   |
| Other income  | 260,829,162          | *87,274,637          |
| <b>Total receipts</b>                                       | <b>560,829,162</b>   | <b>387,375,637</b>   |
| <b>Payments</b>   |                      |                      |
| Employee costs  | 17,892,400           | -                    |
| Board Expenses  | 1,370,000            | 1,180,000            |
| Use of goods and services                                   | 409,687,118          | *522,179,949         |
| Repairs & Maintenance                                       | 9,915,720            | 10,268,746           |
| <b>Total payments</b>                                       | <b>438,865,238</b>   | <b>599,985,031</b>   |
| <b>Net cash flow from operating activities</b>              | <b>121,963,924</b>   | <b>(146,253,058)</b> |
| <b>Cash flows from investing activities</b>                 |                      |                      |
| Purchase of PPE   | (967,517,167)        | (166,303,118)        |
| Realized Foreign Exchange Gains/Losses                      | (21,053,864)         | (141,211,418)        |
| <b>Net cash flows used in investing activities</b>          | <b>(988,571,031)</b> | <b>(307,514,536)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(866,607,107)</b> | <b>(453,767,594)</b> |
| Cash and cash equivalents at 1 July                         | 1,917,647,236        | 2,371,414,828        |
| <b>Cash and cash equivalents at 30 June</b>                 | <b>1,051,040,129</b> | <b>1,917,647,234</b> |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025**

| Description                               | Original budget       | Adjustment<br>s | Final budget          | Actual on<br>comparable<br>basis | Performance<br>difference | % of<br>utilizatio<br>n |
|---|-----------------------|-----------------|-----------------------|----------------------------------|---------------------------|-------------------------|
|   | Kshs                  | Kshs            | Kshs                  | Kshs                             | Kshs                      |                         |
|   | a                     | b               | c=(a+b)               | d                                | e=(c-d)                   | f=d/c*100               |
| Budget carryovers from the previous year* | 0                     | 0               | 0                     | 0                                | 0                         | 0                       |
| <b>Receipts</b>                           |                       |                 |                       |                                  |                           |                         |
| Transfers from MOD                        | 300,000,000.00        | -               | 300,000,000.00        | 300,000,000.00                   | -                         | 100%                    |
| Rendering of Services                     | 80,000,000.00         | -               | 80,000,000.00         | -                                | 80,000,000.00             | 0                       |
| Finance income                            | 250,000,000.00        | -               | 250,000,000.00        | 260,829,162.04                   | (10,829,162.04)           | 104%                    |
| <b>Total Receipts</b>                     | <b>630,000,000.00</b> | <b>-</b>        | <b>630,000,000.00</b> | <b>560,829,162.04</b>            | <b>69,170,837.96</b>      | <b>89%</b>              |
| <b>Payments</b>                           |                       |                 |                       |                                  |                           |                         |
| Use of Goods and Services                 | 400,000,000.00        | 0               | 400,000,000.00        | 409,687,117.56                   | 9,687,117.56              | 102%                    |
| Employee costs                            | 18,000,000.00         | 0               | 18,000,000.00         | 17,892,400.00                    | 107,600.00                | 99%                     |
| Remuneration of Directors                 | 1,500,000.00          | 0               | 1,500,000.00          | 1,370,000.00                     | 130,000.00                | 91%                     |
| Repairs and Maintenance                   | 10,000,000.00         | 0               | 10,000,000.00         | 9,915,720.00                     | 84,280.00                 | 99%                     |
| <b>Total Payments</b>                     | <b>429,500,000.00</b> | <b>0</b>        | <b>429,500,000.00</b> | <b>438,865,237.56</b>            | <b>(9,365,237.56)</b>     | <b>102%</b>             |
| <b>Capital Expenditure Payments</b>       | <b>200,500,000.00</b> | <b>0</b>        | <b>200,500,000.00</b> | <b>967,517,167.48</b>            | <b>767,017,167.48</b>     | <b>483%</b>             |
| <b>Surplus</b>                            | <b>-</b>              | <b>-</b>        | <b>-</b>              | <b>845,553,243.00</b>            | <b>845,553,243.00</b>     |                         |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**18. Notes to the Financial Statements**

**1. General Information**

NSTS is established by and derives its authority and accountability from Executive Order No 4 of 2020. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Service's principal activity is Telecommunication spectrum licensing and supervision.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the NSTS's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of NSTS. The financial statements have been prepared in accordance with the PFM Act, the Companies Act, 2015, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025*

There were no new and amended standards issued in the financial year.

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

| <b>Standard</b>  | <b>Effective date and impact:</b>  |
|--|--|
| IPSAS 43   | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>   |
| IPSAS 45-Property Plant and Equipment                                  | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/new guidance for heritage assets, infrastructure assets and</p>  |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

| Standard                        | Effective date and impact:  |
|---------------------------------|---|
|                                 | <p>measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>   |
| <p>IPSAS 46<br/>Measurement</p> | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |
| <p>IPSAS 47-<br/>Revenue</p>    | <p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>  |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

| Standard                                 | Effective date and impact:   |
|--|--|
| IPSAS 48-<br>Transfer<br>Expenses        | <p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> |
| IPSAS 49-<br>Retirement<br>Benefit Plans | <p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>  |

*ii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

NSTS recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the NSTS and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

NSTS recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the NSTS.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the NSTS's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

NSTS budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Budget information (continued)**

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. Under section 3 of these financial statements, a statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where NSTS operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that the temporary differences will probably reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Entity* and the same taxation authority.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

*Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, NSTS recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to NSTS. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. NSTS also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that NSTS will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to NSTS. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Research and development costs**

NSTS expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when NSTS can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *NSTS does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the entity's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**a) Financial assets**

**Classification of financial assets**

NSTS classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the NSTS's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**Subsequent measurement**

Based on the business model and the cash flow characteristics, NSTS classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where NSTS manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

NSTS assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. NSTS recognizes a loss allowance for such losses at each reporting date.

**b) Financial liabilities**

**Classification**

NSTS classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of NSTS.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**k) Provisions**

Provisions are recognized when NSTS has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where NSTS expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**l) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. NSTS recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that NSTS will incur in fulfilling the present obligations represented by the liability.

**m) Contingent liabilities**

NSTS does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**n) Contingent assets**

NSTS does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NSTS in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**o) Nature and purpose of reserves**

NSTS creates and maintains reserves in terms of specific requirements.

**p) Changes in accounting policies and estimates**

NSTS recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**q) Employee benefits**

**Retirement benefit plans**

NSTS does not provide retirement benefits for its employees and directors. These are provided by the respective national security organs/agencies to the employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**r) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**s) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**t) Related parties**

NSTS regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over NSTS, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*.

**u) Service concession arrangements**

NSTS analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, NSTS recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, NSTS also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**v) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**w) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The only amendment made that necessitated re-statement of the financial statements for the previous financial year related to expensing the costs of refurbishment of building, which had previously been recognised as an asset.

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2025.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of NSTS's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. NSTS based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

There were no provisions raised. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**6. Transfers from Other Government entities**

| <b>Description</b>               | <b>2024/25</b>     | <b>2023/24</b>     |
|----------------------------------|--------------------|--------------------|
|                                  | <b>Kshs.</b>       | <b>Kshs.</b>       |
| Transfers from MOD – operational | 300,000,000        | 300,000,000        |
|                                  |                    | 101,000.00         |
| <b>Total</b>                     | <b>300,000,000</b> | <b>300,101,000</b> |

**b) Transfers from Ministries, Departments and Agencies (MDAs)**

| <b>Name Of The Entity Sending The Grant/Transfer</b> | <b>Amount recognized to Statement of Financial performance</b> | <b>Amount deferred under deferred income</b> | <b>Total transfers</b> | <b>Insert Comparative FY</b> |
|--|--|--|------------------------|------------------------------|
|  |  |  | <b>Current FY</b>      |                              |
|  | <b>Kshs</b>  | <b>Kshs</b>                                  | <b>Kshs</b>            | <b>Kshs</b>                  |
| Ministry of Defense                                  | 300,000,000  | -  | 300,000,000            | 300,101,000                  |
|  |  |  |                        |                              |
|  |  |  |                        |                              |
| <b>Total</b>   | <b>300,000,000</b>   | <b>-</b>                                     | <b>300,000,000</b>     | <b>300,101,000</b>           |

**7. Rendering of Services**

| <b>Description</b>                           | <b>2024/2025</b>   | <b>2023/2024</b>      |
|--|--------------------|-----------------------|
|  | <b>Kshs.</b>       | <b>Restated Kshs.</b> |
| Frequency leasing fee                        | 179,679,957        | *179,679,957          |
| Annual fees & Licenses (Held by CAK in KShs) | 81,353,648         | 80,515,147            |
| <b>Total</b>                                 | <b>261,033,605</b> | <b>260,195,104</b>    |

Revenue from lease of frequencies is disclosed in line with provisions of IPSAS 43 on Leases. NSTS through the Communications Authority of Kenya (CAK) leased out frequencies to two telecommunications services providers for a lease term as agreed.

The Telecommunications services providers paid the full lease fee in 2022/2023, the income is recognized on a straight-line basis over the lease term.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**8. Finance Income**

| Description   | 2024/2025          | 2023/2024         |
|---|--------------------|-------------------|
|   | Kshs.              | Kshs.             |
| Cash investments and fixed deposits (USD Interest)  | -                  | 78,945,870        |
| Cash investments and fixed deposits (KSHS Interest) | 265,706,414        | 8,328,767         |
| <b>Total</b>  | <b>265,706,414</b> | <b>87,274,637</b> |

**9. Use of Goods and Services**

| Description                          | 2024/25            | 2023/24            |
|--------------------------------------|--------------------|--------------------|
|                                      | Kshs.              | Kshs.              |
|                                      |                    | Restated           |
| Utilities                            | 923,824            | 2,629,879          |
| General office expenses              | 6,426,070          | 7,121,518          |
| Training expenses                    | 10,205,618         | 4,929,523          |
| Hospitality, Supplies and Services   | 5,800,378          | 18,896,381         |
| Software and licenses                | 2,442,420          | 2,410,516          |
| Printing and Stationery              | 106,080            | 242,370            |
| Provision for Audit fees             | 1,044,000          | 1,044,000          |
| Contracted professional services     | -                  | 4,060,000          |
| Telephone and communication expenses | 9,450              | 250                |
| Bank charges                         | 79,260.06          | 38,017             |
| Domestic                             | 10,979,502         | 3,243,635          |
| Foreign                              | 2,073,046          | 3,710,711          |
| Insurance                            | 2,315,040          | 1,580,786          |
| Fuel and oil                         | 3,774,810          | 3,410,977          |
| Specialized materials                | 124,450            | 204,000            |
| Other Operating Expenses             | 364,427,170        | *619,663,190       |
| <b>Total</b>                         | <b>410,731,118</b> | <b>673,185,753</b> |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**10. Employee Costs**

| <b>Description</b>        | <b>2024/25</b>    | <b>2023/24</b> |
|---------------------------|-------------------|----------------|
|                           | <b>Kshs.</b>      | <b>Kshs.</b>   |
| Salaries and Wages        | -                 | -              |
| Staff Gratuity            | -                 | -              |
| Others – Top up allowance | 17,892,400        | -              |
| <b>Total</b>              | <b>17,892,400</b> | <b>-</b>       |

**11. Board Expenses**

| <b>Description</b>             | <b>2024/25</b>   | <b>2023/24</b>   |
|--------------------------------|------------------|------------------|
|                                | <b>Kshs.</b>     | <b>Kshs.</b>     |
| Board committees & conferences | 770,000          | 756,000          |
| Board Allowances               | 600,000          | 424,000          |
| <b>Total</b>                   | <b>1,370,000</b> | <b>1,180,000</b> |

**12. Depreciation and Amortization Expense**

| <b>Description</b>                        | <b>2024/25</b>    | <b>2023/24</b>    |
|---|-------------------|-------------------|
|   | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Property Plant and Equipment Depreciation | 92,538,046        | 23,919,544        |
| Intangible assets Amortization            | -                 | -                 |
| <b>Total</b>                              | <b>92,538,046</b> | <b>23,919,544</b> |

**13. Repairs and Maintenance**

| <b>Description</b>       | <b>2024/25</b>   | <b>2023/24</b>   |
|--------------------------|------------------|------------------|
|                          | <b>Kshs.</b>     | <b>Kshs.</b>     |
|                          |                  | <b>Restated</b>  |
| Motor Vehicle Repair     | 5,105,648        | 3,421,490        |
| Plant & Machinery Repair | 4,810,072        | 3,094,274        |
| Building Repair          | -                | *2,904,678       |
| <b>Total</b>             | <b>9,915,720</b> | <b>9,420,442</b> |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**14. Gain/Loss on foreign exchange transactions**

| Description                           | 2024/25             | 2023/24              |
|---------------------------------------|---------------------|----------------------|
|                                       | Kshs.               | Kshs                 |
| Gain on foreign exchange transactions | 0                   | 0                    |
| Loss on foreign exchange transactions | (21,053,864)        | (141,211,418)        |
| <b>Total Gain/Loss</b>                | <b>(21,053,864)</b> | <b>(141,211,418)</b> |

**15. Cash and Cash Equivalents**

| Description                            | 2024/25                 | 2023/24              |
|--|-------------------------|----------------------|
|  | Kshs.                   | Kshs.                |
| NSTS Operational Account               | 904,356.46              | 596,397              |
| Kenya Commercial Bank KSH Account      | 39,587.80               | 271,063,032          |
| Kenya Commercial Bank USD Account      | 93,328.45               | 91,605,775           |
| On – Call Deposits                     | 1,049,972,406.30        | 1,554,360,000        |
| Cash                                   | 30,450.00               | 22,030               |
| <b>Total Cash and Cash equivalents</b> | <b>1,051,040,129.01</b> | <b>1,917,647,234</b> |

**(b) Detailed Analysis of the Cash and Cash Equivalents**

| Financial Institution             | 2024/25              | 2023/24              |
|-----------------------------------|----------------------|----------------------|
|                                   | Account number       | Kshs.                |
| <b>Bank Accounts</b>              |                      |                      |
| Cooperative Bank Account          | 904,356.46           | 596,397              |
| Kenya Commercial Bank KSH Account | 39,588               | 271,063,032          |
| Kenya Commercial Bank USD Account | 93,328               | 91,605,775           |
|                                   |                      |                      |
| <b>Fixed Deposit Accounts</b>     |                      |                      |
| Cash in Fixed Deposit Accounts    | 1,049,972,406        | 1,554,360,000        |
| <b>Sub- Total</b>                 | <b>1,051,009,679</b> | <b>1,917,625,204</b> |
| Cash On Hand                      | 30,450               | 22,030               |
| <b>Grand Total</b>                | <b>1,051,040,129</b> | <b>1,917,647,234</b> |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the Period ending 30 June 2025**

**Notes to the Financial Statements (Continued)**

**16. (a) Receivables from exchange transactions (Current)**

| <b>Description</b>               | <b>2024/25</b>    | <b>2023/24</b>    |
|----------------------------------|-------------------|-------------------|
|                                  | <b>Kshs.</b>      | <b>Kshs.</b>      |
| <b>Current Receivables</b>       |                   |                   |
| Fees Receivable                  | 81,353,648        | 80,515,147        |
| <b>Total Current Receivables</b> | <b>81,353,648</b> | <b>80,515,147</b> |

**(b) Receivables from exchange transactions (Long Term)**

| <b>Description</b>                                 | <b>2024/25</b>     | <b>2023/24</b>     |
|--|--------------------|--------------------|
|  | <b>Kshs.</b>       | <b>Kshs.</b>       |
| <b>Total Receivables</b>                           |                    |                    |
| Fees Receivable                                    | 224,621,162        | 143,267,514        |
| Less: impairment allowance                         | 0                  | 0                  |
| <b>Total receivables</b>                           | <b>224,621,162</b> | <b>143,267,514</b> |
| Current portion transferred to current receivables | 81,353,648         | 80,515,147         |
| <b>Total non-current receivables</b>               | <b>143,267,514</b> | <b>62,752,367</b>  |
| <b>Total receivables (a+b)</b>                     | <b>224,621,162</b> | <b>143,267,514</b> |

**(c) Ageing analysis for Receivables from exchange transactions**

| <b>Description</b> | <b>2024/25</b>     |                       | <b>2023-2024</b>   |                       |
|--------------------|--------------------|-----------------------|--------------------|-----------------------|
|                    | <b>Kshs.</b>       |                       | <b>Kshs.</b>       |                       |
|                    | <b>Current FY</b>  | <b>% of the total</b> | <b>Current FY</b>  | <b>% of the total</b> |
| Less than 1 year   | 81,353,648         | 36.2%                 | 80,515,147         | 56.20%                |
| Between 1- 2 years | 80,515,147         | 36.8%                 | 62,752,368         | 43.80%                |
| Between 2-3 years  | 62,752,368         | 27.9%                 |                    | -                     |
| Over 3 years       |                    |                       |                    | -                     |
| <b>Total (a+b)</b> | <b>224,621,162</b> | <b>100%</b>           | <b>143,267,515</b> | <b>100%</b>           |

National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025

17. Property, Plant and Equipment

| Description                   | Office Equipment & Furniture | Motor vehicles | ICT Equipment  | Plant & Machinery | Total       |
|-------------------------------|------------------------------|----------------|----------------|-------------------|-------------|
|                               | Kshs.                        | Kshs.          | Kshs.          | Kshs.             | Kshs.       |
| <b>Cost</b>                   |                              |                |                |                   |             |
| At 1 <sup>st</sup> July 2023  | 0                            | 4,549,472      | 4,609,826      | 8,030,320         | 17,189,618  |
| Additions                     | 90,753,814                   | 859,900.00     | 1,007,044.00   | 73,682,360.00     | 166,303,118 |
| At 30 <sup>th</sup> June 2024 | 90,753,814                   | 5,409,372      | 5,616,870      | 81,712,680        | 183,492,736 |
| At 1 <sup>st</sup> July 2024  | 90,753,814                   | 5,409,372      | 5,616,870      | 81,712,680        | 183,492,736 |
| Additions                     | 0                            | 0              | 228,728,339.00 | 0                 | 228,728,339 |
| Disposals                     |                              |                |                |                   |             |
| At 30 <sup>th</sup> June 2025 | 90,753,814                   | 5,409,372      | 234,345,209    | 81,712,680        | 412,221,075 |
| <b>Depreciation</b>           |                              |                |                |                   |             |
| At 1 <sup>st</sup> July 2023  | -                            | -              | -              | -                 | -           |
| Depreciation                  | 11,344,227                   | 676,172        | 1,685,061      | 10,214,085        | 23,919,544  |
| Disposals                     | -                            | -              | -              | -                 | -           |
| At 30 <sup>th</sup> June 2024 | 11,344,227                   | 676,172        | 1,685,061      | 10,214,085        | 23,919,544  |
| At 1 <sup>st</sup> July 2024  | 11,344,227                   | 676,172        | 1,685,061      | 10,214,085        | 23,919,544  |
| Depreciation                  | 11,344,227                   | 676,172        | 70,303,563     | 10,214,085        | 92,538,046  |
| Disposals                     |                              |                |                |                   |             |
| At 30 <sup>th</sup> June 2025 | 22,688,454                   | 1,352,343      | 71,988,624     | 20,428,170        | 116,457,590 |
| <b>Net book values</b>        |                              |                |                |                   | 0           |
| At 30 June 2024               | 79,409,587                   | 4,733,201      | 3,931,809      | 71,498,595        | 159,573,192 |
| At 30 June 2025               | 68,065,361                   | 4,057,029      | 162,356,585    | 61,284,510        | 295,763,485 |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

The depreciation policy and rates used by NSTS are as per the guidelines of management of specific categories of assets and liabilities used by the National Treasury in June 2020. NSTS charges zero depreciation in the year of acquisition. The depreciation rates are as shown below.

|                |   |       |
|----------------|---|-------|
| Movable assets | - | 12.5% |
| Motor Vehicles | - | 12.5% |
| ICT            | - | 30%   |

**(b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

| Description                               | Cost               | Accumulated Depreciation | NBV                |
|---|--------------------|--------------------------|--------------------|
|   | Kshs               | Kshs                     | Kshs               |
| Plant and Machinery                       | 81,712,680         | 20,428,170               | 61,284,510         |
| Motor Vehicles, Including Motorcycles     | 5,409,372          | 1,352,343                | 4,057,029          |
| ICT equipment                             | 234,345,209        | 71,988,624               | 162,356,585        |
| Office Equipment, Furniture, and Fittings | 90,753,814         | 22,688,454               | 68,065,361         |
| <b>Total</b>                              | <b>412,221,075</b> | <b>116,457,590</b>       | <b>295,763,485</b> |

National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025

Notes to the Financial Statements (Continued)

18. Intangible Assets

| Description                        | 2024/25               | 2023/24               |
|------------------------------------|-----------------------|-----------------------|
|                                    | Kshs.                 | Kshs.                 |
| <b>Cost</b>                        |                       |                       |
| <b>At beginning of the year</b>    | <b>33,658,373,250</b> | 33,658,373,250        |
| Additions                          | 0                     | 0                     |
| WIP                                | 738,788,828.48        |                       |
| Disposal                           | 0                     | -                     |
| <b>At end of the year</b>          | <b>34,397,162,078</b> | <b>33,658,373,250</b> |
| <b>Amortization and impairment</b> |                       |                       |
| At beginning of the year           | 0                     | -                     |
| Amortization                       | 0                     | -                     |
| At end of the year                 | 0                     | -                     |
| Impairment loss                    | 0                     | -                     |
| <b>Net book value</b>              | <b>34,397,162,078</b> | <b>33,658,373,250</b> |

National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025

19. Trade and Other Payables

| Description  | 2024/25          |                | 2023/24          |                |
|--|------------------|----------------|------------------|----------------|
|  | Kshs.            |                | Kshs.            |                |
| Trade payables                                     | -                |                | -                |                |
| Other payables                                     | 1,044,000        |                | 1,044,000        |                |
| <b>Total trade and other payables</b>              | <b>1,044,000</b> |                | <b>1,044,000</b> |                |
| <b>Ageing analysis: (Trade and other payables)</b> | Current FY       | % of the Total | Comparative FY   | % of the Total |
| <b>Under one year</b>                              | 1,044,000        | 100%           | 1,044,000        | 100%           |
| <b>1-2 years</b>                                   | -                | 0%             | -                | 0%             |
| <b>2-3 years</b>                                   | -                | 0%             | -                | 0%             |
| <b>Over 3 years</b>                                | -                | 0%             | -                | 0%             |
| <b>Total (tie to above total)</b>                  | <b>1,044,000</b> | <b>100%</b>    | <b>1,044,000</b> | <b>100%</b>    |

20. Deferred Income

| Description                          | 2024/25          | 2023/24          |
|--------------------------------------|------------------|------------------|
|                                      | Kshs.            | Kshs.            |
| <b>Income from Frequency Leasing</b> | 2,156,159,481.60 | 2,335,839,438.40 |

NSTS through the Communications Authority of Kenya (CAK) leased out frequencies to Safaricom and Airtel for a number of years. The income received but not earned is disclosed in Note 20.

## **21. Financial Risk Management**

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Entity's financial risk management objectives and policies are detailed below:

### **i) Credit risk**

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

## **22. Related Party Disclosures**

### **Nature of related party relationships**

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

### **Government of Kenya**

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**Other related parties include:**

- i) The Parent Ministry.
- ii) Other SCs and SAGAs
- iii) Key management.
- iv) Board of directors.

**23. Events after the Reporting Period**

There were no material adjusting and non-adjusting events after the reporting period.

**24. Ultimate And Holding Entity**

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Defence. Its ultimate parent is the Government of Kenya.

**25. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**Appendix 1: Implementation Status of Auditor-General’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| <b>Reference No. on the external audit Report</b> | <b>Issue / Observations from Auditor</b> | <b>Management comments</b>   | <b>Status:<br/>(Resolved / Not Resolved)</b> | <b>Timeframe:<br/>(Put a date when you expect the issue to be resolved)</b> |
|---|--|--|--|---|
| 1.  | Inaccuracies in the Financial Statements | Management has corrected the errors.   | Issue resolved                               | Issue resolved  |
| 2.  | Netting off Expense against Revenue      | Management has corrected the errors.   | Issue resolved                               | Issue resolved  |
| 3.  | Long Outstanding Receivables             | Submitted letter to Communication Authority (CA) for payment.  | In progress                                  | December 2025   |
| 4.  | Human resource policy instrument         | The Policy Document has been drafted and its yet to be implemented pending State Cooperation Advisory Committee (SCAC) approval  | The HR instruments approved by the Board     | March 2026  |
| 5.  | Failure to conduct Board Evaluation      | The management is organizing an induction seminar for the Board Directors in consultation with the State Corporations Advisory Committee (SCAC) training department and thereafter conduct a Board Evaluation at the end of FY 2024/2025 | In progress                                  | March 2026  |

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for the implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to the National Treasury.

  
.....  
Director General/CEO/MD (National Security Telecommunication Service)  
Date:

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**Appendix II: Projects implemented by NSTS**

NSTS had development projects in the period under review

| Project title     | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements. (Yes/No) |
|-------------------|----------------|-------|------------------|------------------|---|--|
| Microwave Project |                |       | 12Months(1yr)    |                  |   |  |
|                   |                |       |                  |                  |   |  |

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

| SN | Project           | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|----|-------------------|--------------------|------------------------|----------------------|--------|--------|------------------|
| 1  | Microwave Project | 177,318,708.24     | 177,318,708.24         | 100%                 |        |        | Exchequer        |
|    |                   |                    |                        |                      |        |        |                  |
|    |                   |                    |                        |                      |        |        |                  |

**National Security Telecommunications Service (NSTS)**  
**Annual Report and Financial Statements**  
**for the period ending 30 June 2025**

**Appendix IV: Transfers from Other Government Entities**

| Name of the MDA/Donor Transferring the funds | Date received as per bank statement | Nature: Recurrent/Development/Others | Total Amount - KES | Statement of Financial Performance | Where Recorded/recognized |                 |             |                           | Total Transfers during the Year |
|--|-------------------------------------|--------------------------------------|--------------------|------------------------------------|---------------------------|-----------------|-------------|---------------------------|---------------------------------|
|  |                                     |                                      |                    |                                    | Capital Fund              | Deferred Income | Receivables | Others - must be specific |                                 |
| Ministry of Defence                          | 15 Oct 2024                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 14 Feb 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 18 Mar 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 18 Mar 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 18 Mar 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 18 Mar 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 23 Jun 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 23 Jun 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 23 Jun 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 23 Jun 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 23 Jun 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| Ministry of Defence                          | 23 Jun 2025                         | Recurrent                            | 25,000,000         | 25,000,000                         |                           |                 |             |                           | 25,000,000                      |
| <b>Total</b>                                 |                                     |                                      | <b>300,000,000</b> | <b>300,000,000</b>                 |                           |                 |             |                           | <b>300,000,000</b>              |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**Appendix V- Inter-Entity Confirmation Letter**

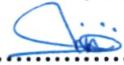
Name of Transferring entities... Ministry of Defence (MoD)

Name of Beneficiary entity.... National Security Telecommunications Service (NSTS)

| Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 June 2025 (Current FY) |                |                    |                 |                    |         |
|---|----------------|--------------------|-----------------|--------------------|---------|
| Reference Number  | Date Disbursed | Recurrent (A)      | Development (B) | Total (C)=(A+B)    | Remarks |
| FT24289SNH9R  | 15 Oct 2024    | 25,000,000         |                 | 25,000,000         |         |
| FT25Q45H020T  | 14 Feb 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT2507776QJ9  | 18 Mar 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT25077Z1063  | 18 Mar 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT250773ZSZP  | 18 Mar 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT25045H0ZOT  | 18 Mar 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT251174GN7Q4   | 23 Jun 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT251741M4K7  | 23 Jun 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT2517439PP2  | 23 Jun 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT25174DSZMM  | 23 Jun 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT251749VCGR  | 23 Jun 2025    | 25,000,000         |                 | 25,000,000         |         |
| FT251740KPF8  | 23 Jun 2025    | 25,000,000         |                 | 25,000,000         |         |
| <b>Total</b>  |                | <b>300,000,000</b> |                 | <b>300,000,000</b> |         |

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity: Ministry of Defence

Name MARGARET W. MUNDYAKA Sign  Date 27 Jul 2025

Head of Accounts Department - Disbursing Entity: National Security Telecommunications Service

**HEAD OF ACCOUNTING  
UNIT  
MINISTRY OF DEFENCE**

National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025

|   |                               |                              |
|---|-------------------------------|------------------------------|
| Name <i>Jano mutande</i> .....                    | Sign <i>[Signature]</i> ..... | Date <i>27/11/2025</i> ..... |
| Head of Accounts Department - Beneficiary Entity: |                               |                              |
| Name <i>Brig Nyatiga Maslanga</i> .....           | Sign <i>[Signature]</i> ..... | Date <i>27/11/2025</i> ..... |
|   |                               |                              |

**National Security Telecommunications Service (NSTS)  
Annual Report and Financial Statements  
for the period ending 30 June 2025**

**Appendix VI: Reporting of Climate Relevant Expenditures**

| Project Name | Project Description | Project Objectives | Project Activities | Quarter |    |    |    | Source of Funds | Implementing Partners |
|--------------|---------------------|--------------------|--------------------|---------|----|----|----|-----------------|-----------------------|
|              |                     |                    |                    | Q1      | Q2 | Q3 | Q4 |                 |                       |
|              |                     |                    |                    |         |    |    |    |                 |                       |
|              |                     |                    |                    |         |    |    |    |                 |                       |
|              |                     |                    |                    |         |    |    |    |                 |                       |
|              |                     |                    |                    |         |    |    |    |                 |                       |
|              |                     |                    |                    |         |    |    |    |                 |                       |

**Appendix VII: Reporting on Disaster Management Expenditure**

| Column I  | Column II     | Column III    | Column IV  | Column V         | Column VI      | Column VII |
|-----------|---------------|---------------|--|------------------|----------------|------------|
| Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments   |
|           |               |               |  |                  |                |            |
|           |               |               |  |                  |                |            |