

Minister of Finance

Information on the implementation of the Act  
on games and mutual wagering in 2006

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# 1. Introduction

## 1.1. Legal situation

The organisation and pursuing of economic activity within the scope of chance games, mutual wagering, slot machine games and slot machine games with low prizes is only allowed according to the principles laid down in the Act of 29 July 1992 *on games and mutual wagering*<sup>1</sup>, hereinafter referred to as “the Act”, and the implementing provisions to the Act.

The Act contains an enumerative catalogue of games and mutual wagering together with their definitions. Additionally, the Minister of Finance has been authorised to decide whether a game or a bet not listed in the catalogue in the Act is a game or a mutual bet.

The Act lays down the organisational and legal forms of the entities organising games and mutual wagering, and thus:

- 1) pursuing economic activity within the scope of number games, cash lotteries, video lotteries and telebingo is covered by the State monopoly, exercised by the minister competent for the State Treasury who, in consultation with the minister competent for public finance, establishes to this end the companies in which the State Treasury is a single shareholder. Despite the legal opportunities created, the said companies did not commence activity in all of the new market segments, i.e. within the scope of video lotteries and telebingo; in 2006, as in previous years, only cash lotteries and number games were organised,
- 2) economic activity within the scope of cylindrical games, card games, dice games, cash bingo, mutual wagering, slot machine games, and slot machine games with low prizes, may only be conducted in the form of a joint-stock company or a limited liability company having its seat in the territory of the Republic of Poland. The shareholders of the companies which pursue such activity may include legal persons or companies with no legal personality whose seat is located in the territory of a European Union Member State or a country belonging to the European Economic Area,
- 3) award lotteries, raffle bingo, promotion lotteries and audiotote lotteries may be organised by natural persons, legal persons or organisational units without legal personality on the basis of the granted permit. Pursuant to the provisions of the Act the profit from award lotteries or raffle bingo games shall be allocated in whole for socially-useful purposes specified in the permit or the rules of the game, in particular for charity purposes.

Pursuant to the provisions of the Act:

- 1) cylindrical games, card games, dice games, slot machine games and cash bingo games may only be organised in game salons, of which:
  - cylindrical games, card games and dice games – in casinos,
  - slot machine games – in casinos or slot machine salons,
  - cash bingo games – in cash bingo games salons,
- 2) slot machine games with low prizes – may only be organised in special points with slot machine games with low prizes,

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<sup>1</sup> Dz.U. of 2004, No 4, item 27, as amended.

- 3) mutual wagering may only be accepted at mutual wagering stands.

Activities within the scope of games and mutual wagering are restricted by the State. The main instruments restricting those activities include the issue of permits for conducting the economic activity in this regard and the approval of the rules of the games, as well as the statutory determination of the location limits for game salons, i.e. casinos, slot machine games salons and cash bingo games salons.

At the same time it must be pointed out that pursuant to the authorisations included in the Act the following implementing provisions have been established:

- 1) Regulation of the Minister of Finance of 3 June 2003 *on the execution of some provisions of the Act on games of chance and mutual wagering* (Dz.U. No 102, item 948, as amended);
- 2) Regulation of the Minister of Finance of 3 June 2003 *on the conditions concerning the organisation of the games of chance and mutual wagering* (Dz.U. No 102, item 946);
- 3) Regulation of the Minister of Finance of 28 August 2003 *authorising the heads of tax chambers to perform certain activities concerning the games of chance and mutual wagering* (Dz.U. No 152, item 1486);
- 4) Regulation of the Minister of Finance of 3 June 2003 *on the method of registering tips in casinos* (Dz.U. No 102, item 949);
- 5) Regulation of the Minister of Finance of 13 February 2006 *on the model tax returns for the tax on games* (Dz.U. No 26, item 197), which replaced the Regulation of the Minister of Finance of 9 June 2003 *on the model tax returns for the tax on games* (Dz.U. No 104, item 967);
- 6) Regulation of the Minister of Sports of 10 July 2006 *on the financing of tasks from the Physical Fitness Development Fund* (Dz.U. No 134, item 944 and No 178, item 1318), which replaced the Regulation of the Minister of National Education and Sports of 11 February 2005 *on the financing of tasks from the Physical Fitness Development Fund* (Dz.U. No 28, item 237);
- 7) Regulation of the Minister of Culture of 28 January 2005 *on the detailed conditions for obtaining the financing for the implementation of tasks in the area of culture, the procedure for submitting applications and transferring funds from the Cultural Promotion Fund* (Dz.U. No 24, item 200, as amended);
- 8) Regulation of the Minister of Finance of 7 April 2004 *on exercising special tax supervision* (Dz.U. No 65, item 598, as amended).

## 1.2. Location limits<sup>2</sup>

The principles for establishing limits of game salons located in the territory of the Republic of Poland are specified by the provisions of Articles 29 and 30 of the Act.

Pursuant to Article 29 (1) of the Act, **casinos** may be located in towns with a population of up to 250,000 inhabitants – one casino. The number of casinos may be increased by 1 for each new 250,000 of inhabitants.

Article 29 (2) provides that **slot machine games salons** and **cash bingo games salons** may be located in towns with a population of up to 100,000 inhabitants – one salon. The number of game salons may be increased by 1 for each new 100,000 of inhabitants.

In addition, pursuant to Article 29 (4), casinos and slot machine games salons may also be located on the Polish seagoing passenger vessels and Polish passenger ferries.

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<sup>2</sup> As of 31 December 2006.

The Act does not specify the limit of authorisations for organising award lotteries, audio text lotteries and promotion lotteries, raffle bingo and mutual wagering.

Nevertheless, it introduces certain restrictions on the location of points where slot machine games with low prizes are organised. Pursuant to Article 30 of the Act points with slot machine games with low prizes may be located in catering, commercial or service establishments no less than 100 metres away from schools, educational institutions, social welfare institutions and religious cult centres.

### **1.3. Use of the limits by types of game salons**

#### **↳ casinos**

At the end of 2006, 27 permits for casinos were valid.

#### **↳ slot machine games salons**

At the end of 2006, 192 permits for slot machine games salons were valid.

#### **↳ cash bingo games salons**

At the end of 2006, no permits for cash bingo games salons were valid. The permits granted in previous years expired after the period for which they were granted.

### **1.4. Administrative proceedings in respect of granting permits for organising and conducting games and mutual wagering**

#### **1.4.1. Information about permits for organising and pursuing economic activity within the scope of games of chance, mutual wagering and slot machine games granted in 2006**

The provisions of the Act specify the number of allowed locations of **casinos**, making it conditional on the number of inhabitants in a given town. At the end of 2006, 27 permits (granted pursuant to Articles 29 and 31<sup>3</sup> of the Act) were valid, of which 1 decision on granting the permit for casinos was issued in 2006. In addition, 4 permits were prolonged pursuant to the procedure from Article 36 (3) and (4) of the Act.

At the end of 2006, 192 permits for **slot machine games salons** were valid, out of which 13 permits were granted in 2006 and 47 were prolonged pursuant to the procedure from Article 36 (3) and (4) of the Act.

In 2006, economic activity was pursued on the basis of 41 permits in 1,767 **bookmaking offices** (of which 13 permits to operate 704 offices were granted or prolonged in 2006). The activity in the area of totalisator systems was carried out in 1,366 **points accepting totalisator bets** pursuant to 3 permits (of which 1 permit for 520 points was granted in 2006).

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<sup>3</sup> repealed as of 15 June 2003.

#### **1.4.2. Information about the permits for promotion lotteries, award lotteries, audio text lotteries and raffle bingo granted in 2006**

a) Pursuant to the Act on games and mutual wagering, the Minister of Finance issued:

- 410 decisions allowing for the organisation of promotion lotteries,
- 46 decisions allowing for the organisation of audio text lotteries.

In 2006 the Minister of Finance did not issue any decisions allowing for the organisation of award lotteries or raffle bingo.

b) Pursuant to Article 2 (1) of the Regulation of the Minister of Finance of 28 August 2003 *authorising the heads of tax chambers to perform certain activities concerning the games and mutual wagering*,<sup>4</sup> the heads of tax chambers issued:

- 85 decisions allowing for the organisation of promotion lotteries,

They did not issue any permits for the organisation of an award lottery and raffle bingo.

#### **1.4.3. Information about the refusals of the Minister of Finance to grant permits for the organisation and pursuing of economic activity within the scope of games and mutual wagering in 2006**

Pursuant to Article 24 (2) of the Act where for one permit for the organisation and pursuing of economic activity within the scope of games and mutual wagering more than one undertaking apply which comply with the conditions specified in the Act, the minister competent for public finance shall announce and conduct a tender. Detailed conditions for the organisation of the tender for entities applying for the permit for the organisation and pursuing of economic activity covered by the Act were laid down in the Regulation of the Minister of Finance of 3 June 2003 *on the execution of some provisions of the Act on games of chance and mutual wagering*<sup>5</sup>.

The Minister of Finance issued:

- 9 refusals to grant permits to operate slot machine games salons (including 3 decisions issued following tenders organised pursuant to Article 24 (2) of the Act);

#### **1.4.4. Information about the decisions of the Minister of Finance withdrawing the permits for organising and conducting economic activity in the scope of games of chance and mutual wagering issued in 2006**

In 2006 the Minister of Finance issued one decision withdrawing the permit for the organisation of a slot machine games salon.

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<sup>4</sup> Dz.U. No 152, item 1486

<sup>5</sup> Dz.U. No 102, item 948, as amended.

#### 1.4.5. Information about cases pending in administrative courts.

**Table 1** Table 1. Cases pending in administrative courts (at the end of 2006)

Complaints not examined by the court	4
Complaints submitted to the Voivodship Administrative Court through the Ministry of Finance	16
Decisions issued, of which:	16
dismissing complaints	7
rejecting complaints	2
repealing the decisions appealed against	6
dismissing the proceedings	0
suspending the execution of a ruling	1

#### 1.4.6. Information about the permits granted in 2006 by the heads of tax chambers for the organisation and pursuing of economic activity within the scope of slot machine games with low prizes.

The provisions of the Act on games of chance and mutual wagering as amended in 2003 introduced the slot machine games with low prizes into the catalogue of games as from 15 June 2003.

Pursuant to the provisions of the Act, the permits for the organisation and pursuing of economic activity within the scope of the slot machine games with low prizes are granted by the head of the tax chamber which is competent for the area where such games are organised and carried out.

The games on slot machines with low prizes can be organised in points offering slot machine games with low prizes located in catering, commercial and service establishments. At the same time the Act limited the allowed number of such machines in one point where slot machine games with low prizes are placed to three and prohibited to locate them less than 100 metres away from schools, educational institutions, social welfare institutions and religious cult centres.

In 2006 a total of 104 applications for permits for the above-mentioned economic activity were submitted to tax chambers, of which 64 were approved and the proceedings were concluded with the issue of the permits for the pursuing of economic activity within the scope of the slot machine games with low prizes.

**Table 2** Number of applications and permits granted for the organisation of games on slot machines with low prizes by voivodship in 2006

Tax chamber in:	Number of applications examined	Number of permits granted
1. Białystok	4	0
2. Bydgoszcz	10	2
3. Gdańsk	4	0
4. Katowice	8	7
5. Kielce	6	2
6. Kraków	8	5
7. Lublin	9	3
8. Łódź	4	4
9. Olsztyn	2	4
10. Opole	2	7
11. Poznań	9	8

12. Rzeszów	8	1
13. Szczecin	3	4
14. Warszawa	13	10
15. Wrocław	9	7
16. Zielona Góra	5	0
<b>TOTAL</b>	<b>104</b>	<b>64</b>

*Source: information provided by tax chambers*

As of 31 December 2006, there were 265 permits valid for pursuing economic activity in 23,307 points offering slot machine games with low prizes.

It should be mentioned here that it is impossible to start economic activity within the scope of slot machine games with low prizes directly after the issue of the permit due to the necessity to comply with additional formal and legal requirements related to the certification of the slot machines with low prizes fit for use.

In accordance with the legislation in force, a slot machine or a machine for games may be certified fit for use in the territory of the Republic of Poland provided that such a machine is registered on the basis of an examination carried out by a testing unit authorised by the minister competent for public finance.

Following the examination by the testing unit and the obtaining of its positive opinion, the entity applies for the registration of the slot machine or the device for games. The minister competent for public finance certifies the machine by granting it a registration number.

Following the examination, the testing unit seals the machine in order to protect it from external interference.

Only the registration of the slot machine or the device for games authorises a given entity to put the machine into operation.

Irrespective of the above, after the registration of the slot machine for games with low prizes, the entity has an obligation to notify the locally competent customs office of the slot machines with low prizes in order for an official check to be carried out of both the slot machines and the points where slot machine games with low prizes are offered by the special tax supervision.

Due to the above, the realistic time for the beginning of the activity covered by the permit for the organisation and pursuing of economic activity within the scope of slot machine games is from 3 to 11 months.

While in the fourth quarter of 2003 the actual economic activity within the scope of slot machine games with low prizes was commenced by merely 4 entities in 4 voivodships, in 2004 economic activity within the above-mentioned scope was carried out in 16 voivodships by 23 entities, in 2005 by 35 entities and in 2006 by 42 entities.

## **2. Economic analysis of entities from the games and mutual wagering market**

On the basis of the permits granted, 63 entities conducted economic activity on the games and mutual wagering market in 2006, of which:

- 2 entities – within the scope of games covered by the State monopoly, i.e. number games and cash lotteries;

- 6 entities conducted economic activity simultaneously on the basis of permits granted by the Minister of Finance and by the heads of tax chambers;
- 21 entities conducted economic activity exclusively on the basis of permits granted by the Minister of Finance;
- 42 entities conducted economic activity exclusively on the basis of permits granted by the heads of tax chambers.

**Entities carrying out economic activity in 2006 pursuant to the Act on games of chance and mutual wagering, by types of games:**

☞ **games covered by the State monopoly**

- number games – Totalizator Sportowy Sp. z o.o.;
- cash lotteries – Polski Monopol Loteryjny Sp. z o.o. and Totalizator Sportowy Sp. z o.o.;

☞ **games played at casinos** – 5 entities in 27 casinos – Casino Centrum Sp. z o.o., Casinos Poland Sp. z o.o., Casino Polonia Wrocław Sp. z o.o., Orbis Casino Sp. z o.o., Zjednoczone Przedsiębiorstwa Rozrywkowe S.A.;

☞ **games played at slot machine games salons** – 14 entities in 188 slot machine games salons - Zjednoczone Przedsiębiorstwa Rozrywkowe S.A., PRU Filmotechnika Sp. z o.o., Estrada Polska Sp. z o.o., Orbis Casino Sp. z o.o., Bingo Centrum Sp. z o.o., Golden Play Sp. z o.o., Grand Sp. z o.o., Finkorp Sp. z o.o., Fortuna Sp. z o.o., Casino Polonia Wrocław Sp. z o.o., Club Fair Play Sp. z o.o., Casino Centrum Sp. z o.o., Casinos Poland Sp. z o.o.; Joy-Pol Sp. z o.o.;

☞ **mutual wagering** – 6 entities in 1,767 mutual wagering stands - Betako Sp. z o.o., Profesjonął Sp. z o.o., Star Typ Sport Sp. z o.o., Totolotek Toto-Mix S.A., Milenium Sp. z o.o., TipSport Sp. z o.o.;

☞ **slot machine games with low prizes** – 42 entities in 12,438 points offering slot machine games with low prizes - Aplauz Sp. z o.o., A-V Sp. z o.o., Bersin Sp. z o.o., Betako Sp. z o.o., Big Play Sp. z o.o., Empiro Sp. z o.o., Estrada Polska Sp. z o.o., Eurogame Sp. z o.o., Euromatic Sp. z o.o., Europlay International Sp. z o.o., Filmotechnika Sp. z o.o., Fortuna Sp. z o.o., Fun Art. Factory Sp. z o.o., Gametek Sp. z o.o., Getway Sp. z o.o., Golden Gate Sp. z o.o., Golden Play Sp. z o.o., Grand Sp. z o.o., Grupa F.P. Sp. z o.o., Hol-Games Sp. z o.o., Intergame Sp. z o.o., Interplay S.A., Joy-Pol Sp. z o.o., Mat-Pol Sp. z o.o., Matrix Sp. z o.o., MultiPlay Sp. z o.o., Multitech Sp. z o.o., Nowopol Sp. z o.o., Oaza Games Sp. z o.o., Odysea Sp. z o.o., Orion Sp. z o.o., PHU Toro Sp. z o.o., Playpol Bis Sp. z o.o., PMG Play Sp. z o.o., POL-Game Sp. z o.o., POLLLOT Sp. z o.o., PR Eurofortuna Sp. z o.o., Royal Team Sp. z o.o., Slot Sp. z o.o., SterGame Sp. z o.o., Syriusz Sp. z o.o., Victoria Serwis Sp. z o.o.

**2.1. Income size and structure**

**Table 3** Income and the growth rate of income from games and mutual wagering between 2004 and 2006 (in PLN thousand)

Specification	Income	Income growth rate (previous year = 100)
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	2004	2005	2006	2005	2006
Number games	2,389,734	2,345,654	2,251,549	98.2	95.9
Casinos	953,904	967,609	1,089,289	101.4	112.6
Slot machine games salons	772,658	1,049,738	1,473,466	135.9	140.4
Mutual wagering	641,849	665,340	829,970	103.7	124.7
Cash lotteries	115,328	70,316	57,065	61.0	81.2
Cash bingo games salons	14,662	8,705	0	59.4	0
Points where the slot machine games with low prizes are offered <sup>6</sup>	347,310	1,349,996	2,417,472	388.7	179.0
<b>TOTAL</b>	<b>5,235,445</b>	<b>6,457,358</b>	<b>8,118,811</b>	<b>123.3</b>	<b>125.7</b>

Source: figures on the basis of: SGL-1 report and the annual Information about the activities of the entity in the points offering games on slot machines with low prizes in the territory of the Republic of Poland

In 2006 the entities operating on the games and mutual wagering market posted a total income of PLN 8.1 billion, i.e. 25.7% higher than in 2005. The increase in income by 25.7% results mainly from the fact that the new segment of the market, i.e. slot machine games with low prizes has continued its dynamic growth since 2005 – an increase by 79% as compared to 2005. The high increase in income was also reported in the slot machine games salons where the income grew by 40.4% as compared to the previous year. The increase in income was also recorded in the mutual wagering and casinos, by 24.7% and 12.6%, respectively.

2006 was the second consecutive year that saw a decreasing trend in the income from number games. Income from that type of games in 2005 was lower by 1.8% as compared to 2004, while the income for 2006 was lower by 4.1% than in 2005.

Year 2006 was yet another year in which cash lotteries posted a decrease in sales. In 2006 the income was lower by 18.8% than in 2005 and in 2005 – by 39.0% as compared to 2004.

In 2006 no economic activity within the scope of games in cash bingo games salons was carried out. None of the entities holding permits to organise those games applied for the extension of the permit.

Table 4 Structure of income from games and mutual wagering in the years 2004 - 2006 (in %)

Type of game	2004	2005	2006
Number games	45.65	36.33	27.73
Casinos	18.22	14.98	13.42
Slot machine games salons	14.76	16.26	18.15
Mutual wagering	12.26	10.30	10.22
Cash lotteries	2.20	1.09	0.70
Cash bingo games salons	0.28	0.13	0
Points where slot machine games with low prizes are organised	6.63	20.91	29.78

<sup>6</sup> The figures concerning income in points offering slot machine games with low prizes are gathered since 2004. Sales income from slot machine games with low prizes is the value of amounts inserted in slot machines, obtained from the exchange of chips and credited in the memory of the used slot machines in a reporting period.

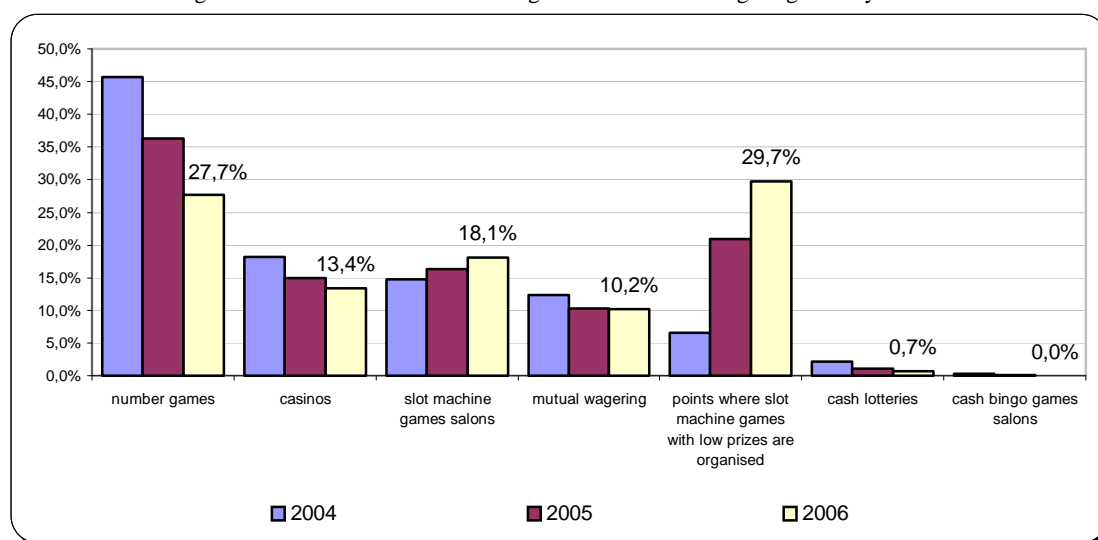
The changes in the income structure in 2006 as compared to the previous years are mainly the result of the dynamic development of the new segment of the games market, i.e. slot machine games with low prizes. The entry of slot machine games with low prizes onto the market resulted in the decrease of the share of number games in the income structure from 36.3% in 2005 to 27.7%, which makes 2006 the first year when the largest share in the income structure is income from slot machine games with low prizes (29.8%) and not, as it has been the case so far, income from number games (27.7%).

A lower share in income from the market was also posted by: casinos, mutual wagering and cash lotteries (13.4%, 10.2%, and 0.7%, respectively).

However, 2006 was another year of an increasing share in the income structure of slot machine games salons. In 2004 this share was 14.8%, in 2005 – 16.3%, and in 2006 – 18.2%.

On the scale of the whole market, insignificant income is generated by entities organising cash lotteries – it constitutes 0.7%.

**Chart 1.** Change in the structure of income from games and mutual wagering in the years 2004 - 2006



## ➤ Number games

2006, as compared to 2005, saw a decrease in income from number games. In 2006, as compared to 2005, this income decreased by 4.1%.

**Table 5** Income from number games organised by Totalizator Sportowy Sp. z o.o in the years 2004-2006

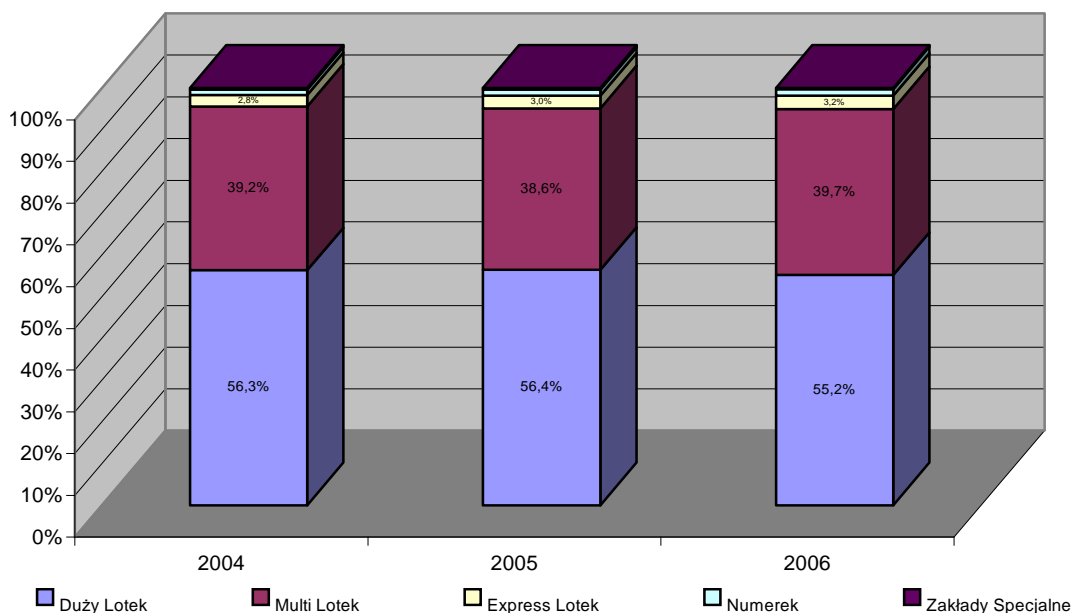
(in PLN thousand)

Name of the game	2004	2005	2006
Duży Lotek	1 344 814	1 323 256	1 241 974
Multi Lotek	935 486	906 397	894 621
Express Lotek	67 953	69 773	72 437
Twój Szczęśliwy Numerek (Your Lucky Number)	31 436	36 066	35 910

Zakłady Specjalne (Special Bets)	10 045	10 162	6 607
<b>T O T A L</b>	<b>2 389 734</b>	<b>2 345 654</b>	<b>2 251 549</b>

Source: data on the basis of the SGL-1 report.

**Chart 2. Change in the structure of income from number games organised by Totalizator Sportowy Sp. z o.o in the years 2004-2006**



Similar to the previous years, the share of "Duży Lotek" and "Multi Lotek" games account for the major part of income from number games.

In 2006, as compared with 2005, a decrease was noted in the value of income from both of those games, by 6.1% and 1.3%, respectively. Other types of games constitute merely several percent of the whole structure of income from number games.

"Duży Lotek" is a game with a long-standing tradition; it has been organised since 1957. Although "Multi Lotek" was introduced only in 1996, it also enjoys great popularity.

## Casinos

In 2006 there was almost 13% increase in income from casino games as compared to 2005, while the income for 2005 increased as compared to 2004 by only 1.4%.

The number of casinos which pursued business activity was:

- in 2004 – **25**,
- in 2005 – **27**,
- in 2006 – **27**.

Income per casino:

- in 2004 – **PLN 38,156,000** (increase by 7.8% as compared to the previous year),
- in 2005 – **PLN 35,837,000** (decrease by 6.1% as compared to the previous year),

- in 2006 – **PLN 40,344,000** (increase by 12.6% as compared to the previous year).

In 2005 income per games centre dropped as compared with 2004 by 6.1%, although at the same time the number of casinos increased by 8%, i.e. from 25 casinos in 2004 to 27 in 2005, and remained the same in 2006.

In 2006 income from casinos per one casino increased by 12.6% as compared to 2005 and the value of income surpassed the average income of a casino in 2004 by 5.7%. This may mean that the increasing trend in casino income at the level of a few percent a year returns.

In casinos it is allowed to organise cylindrical games, card games, dice games and slot machine games. In 2006 the predominant share in casino income structure was the income from card games and cylindrical games. In addition, in 2006 an increase in income from slot machine games organised in casinos at the level of 96.9% was observed.

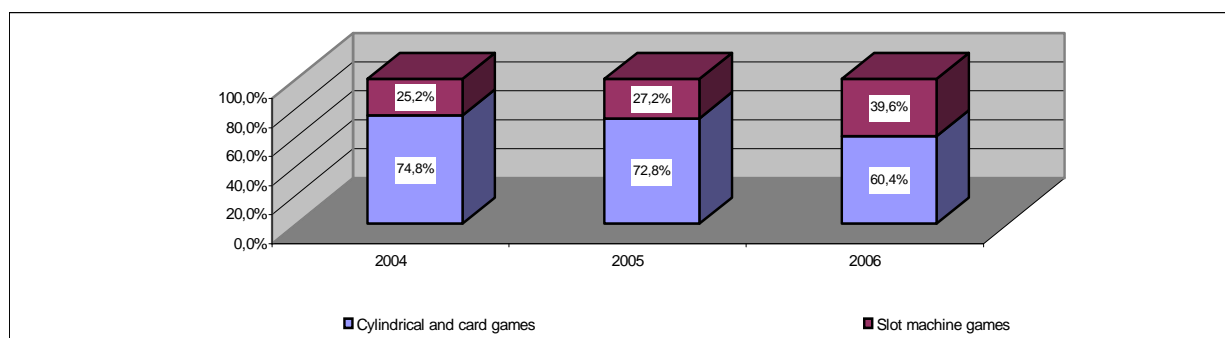
**Table 6** Income and growth rate of income from games organised in casinos in the years 2004-2006

Type of game	Income (in PLN thousand)			Income growth rate (previous year = 100)		
	2004	2005	2006	2004	2005	2006
Cylindrical and card games	713 355	704 193	791 673	104.1	98.7	112.4
Slot machine games	240 549	263 416	518 825	120.2	109.5	196.9
<b>T O T A L</b>	<b>953 904</b>	<b>967 609</b>	<b>1 310 498</b>	<b>107.8</b>	<b>101.4</b>	<b>135.4</b>

Source: data on the basis of the SGL-1 report.

In the years 2004-2006 the share of income of casinos from cylindrical and card games decreased by 14.4 percentage points while the income from slot machine games increased simultaneously.

**Chart 3.** Change in the structure of income from games organised in casinos in the years 2004-2006



## Slot machine games salons

Table 7 Income and growth rate of income from slot machine games in the years 2004-2006

Income (in PLN thousand)			Income growth rate (previous year = 100)		
2004	2005	2006	2004	2005	2006
772 658	1 049 738	1 473 466	120.9	135.9	140.3

Source: data on the basis of the SGL-1 report.

In the period of 2004-2006 a substantial growth in the income earned by slot machine games salons was observed. In 2005 this income increased by 35.9% as compared to 2004, while in 2006 – by another 40.3% as compared to 2005. The considerable increase in the said income may be attributed to the increase in the number of games centres and, as a result thereof, the number of slot machines.

The number of games centres which pursued business activity:

- in 2004 – **167**,
- in 2005 – **175**,
- in 2006 – **188**.

Income per single games centre in:

- 2004 – PLN **4,627 thousand** (increase by 12.9% in comparison with the previous year),
- 2005 – PLN **5,998 thousand** (increase by 29.6% in comparison with the previous year),
- 2006 – PLN **7,838 thousand** (increase by 30.7% in comparison with the previous year).

In 2006 the income per a single games centre increased by 30.7% while at the same time the number of salons grew by 7.4%, i.e. from 175 in 2005 to 188 in 2006. The total income in this market segment within the period of 2004-2006 increased respectively from PLN 772.7 million to PLN 1,473.4 million. The income per a single games centre within the same period increased respectively from PLN 4.6 million to PLN 7.8 million.

## ↳ Mutual wagering

Table 8 Income from mutual wagering in the years 2004 - 2006 (in PLN thousand)

Types of mutual wagering	2004	2005	2006	Income growth rate (previous year = 100)		
				2004	2005	2006
Totalizator systems	33 592	26 533	8 269	82.4	79.0	31.2
Bookmaking	608 257	638 807	821 701	124.3	105.0	128.6
<b>T O T A L</b>	<b>641 849</b>	<b>665 340</b>	<b>829 970</b>	<b>121.1</b>	<b>103.7</b>	<b>124.7</b>

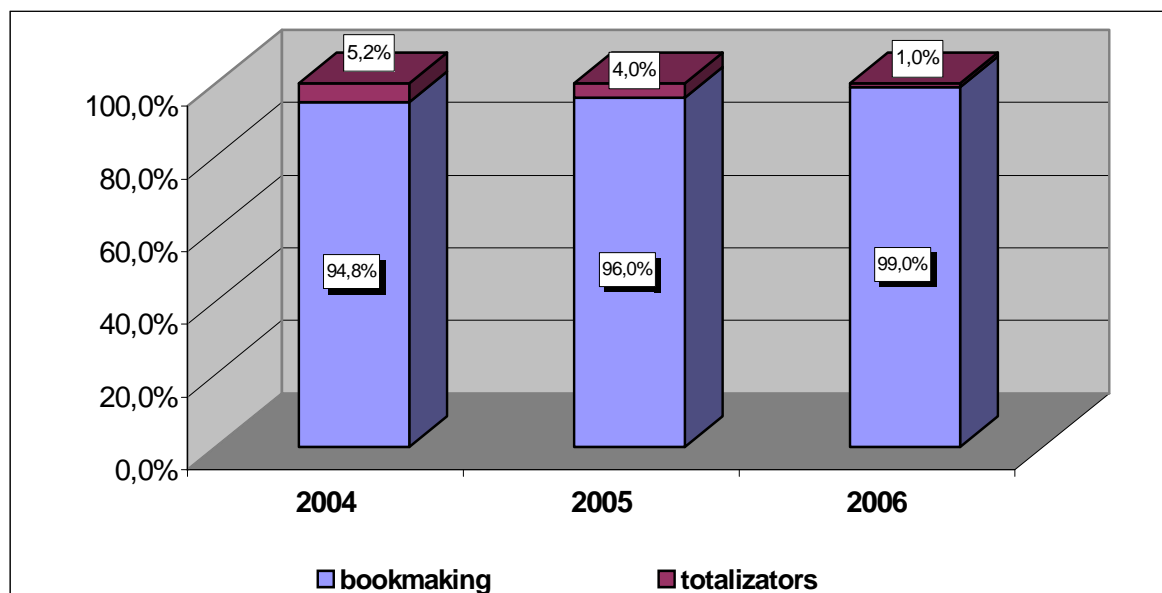
Source: data on the basis of the SGL-1 report.

In 2006 an increased growth rate was noted again in this market segment, i.e. by 24.7%. It is a level comparable to the growth in the years 2003-2004, which amounted to approximately 21% within a year, although a strong (68.8%) downward tendency in income from participation in totalizator systems still

persists. In light of the above-mentioned data the considerable slowdown in the growth rate of income noted in 2005 may be deemed as temporary.

In 2006, as compared to the previous year, the income increased by 24%. Within the last three years one may observe that in the structure of income from mutual wagering, the wagering by totalizator systems indicated a downward tendency, from PLN 33,592 thousand to PLN 8,269 thousand.

**Chart 4. Change in the structure of income from mutual wagering in the years 2004-2006**



According to the Act, mutual wagering comprises:

- **totalizator systems**, i.e. betting for cash prizes which consist in guessing the results of sports contests between people or animals, where the participants pay stakes and the amount of the prize depends on the total amount of pre-paid stakes.

**Table 9** The structure of income from totalizator systems in the years 2004-2006 (in %)

Types of totalizator systems	2004	2005	2006
Guessing the results of contests between animals	74.2	73.4	5.0
Guessing the results of contests between people	25.8	26.6	95.0

Source: data on the basis of the SGL-1 report.

In the structure of income from totalizator systems the income from mutual wagering which consists in guessing the results of sports competition of animals showed an upward trend in the period of 2002-2004<sup>7</sup> but in 2005 it slightly decreased. However, in 2005 the share of wagering consisting in guessing the results of sports contests between people increased slightly as compared to 2004. In 2006 the relation between income from totalizator systems reversed: 95.0% of income came from wagering which consists in guessing the results of sports contests between people, while only 5.0% - from wagering which consists in guessing the results of sports contests between animals.

<sup>7</sup> the data come from information on the implementation of the Act on games and mutual wagering in the years 2002 – 2004.

- **bookmaking services**, i.e. betting for cash prizes which consists in guessing the occurrence of various events, where the participants pay stakes and the amount of the prize depends on the stake-winning ratio agreed between the bookmaker and a stake player.

**Table 10** The structure of income from bookmaking services in the years 2004-2006  
(in %)

Types of bookmaking services	2004	2005	2006
Guessing the results of contests between animals	–	–	–
Guessing the results of contests between people, other events	100	100	100

Source: data on the basis of the SGL-1 report.

Since 2002 bookmaking services have been mainly offered in respect of guessing the results of sports contests between people, and other events.

## ↩ Cash lotteries

**Table 11** Income from cash lotteries held by Totalizator Sportowy Sp. z o.o. and Polski Monopol Loteryjny Sp. z o.o. in the territory of the country in the period of 2004-2006  
(in PLN thousand)

Entity name	Income (in PLN thousand)			Income growth rate (previous year = 100)	
	2004	2005	2006	2005	2006
Totalizator Sportowy Sp. z o.o.	110 222	68 168	55 993	61.8	82.1
PML Sp. z o.o.	5 106	2 148	1 072	42.1	49.9
<b>T O T A L</b>	<b>115 328</b>	<b>70 316</b>	<b>57 065</b>	<b>61.0</b>	<b>81.2</b>

Source: data on the basis of the SGL-1 report.

After a temporary sales growth of cash lotteries in 2003, the sales in 2004-2006 decreased again. Income from cash lotteries in 2005 decreased by 39.0% as compared to 2004, and in 2006 decreased by 18.8% as compared to 2005.

Income from the sales of cash lotteries in 2006 as compared to 2005, organised both by Totalizator Sportowy Sp. z o.o., and by Polski Monopol Loteryjny Sp. z o.o. decreased by 17.9% and 50.1%, respectively.

The level of cash lotteries sales is influenced by a number of factors, which include, *inter alia*:

- the number of lotteries organised,
- their attractiveness,
- unit price of the ticket,
- additional payments,
- a drop in demand due, *inter alia*, to emerging new types of games that are far more attractive for the ‘internet and virtual games generation’ than traditional tickets of cash lotteries,
- channels of tickets distribution, etc.

**Table 12** The number of cash lotteries organised in the period of 2004-2006 by Totalizator Sportowy Sp. z o.o. and Polski Monopol Loteryjny Sp. z o.o.

Entity name	2004	2005	2006
Totalizator Sportowy Sp. z o.o.	24	18	18
PML Sp. z o.o.	10	8	6
<b>T O T A L</b>	<b>34</b>	<b>26</b>	<b>24</b>

Source: data on the basis of the SGL-1 report.

**Table 13** Average annual income from one cash lottery (in PLN thousand)

Entity name	2004	2005	2006
Totalizator Sportowy Sp. z o.o.	4 592.6	3 787.1	3110.7
PML Sp. z o.o.	510.6	268.5	178.7

Source: data on the basis of the SGL-1 report.

Despite a decrease in the cash lotteries sales level, Totalizator Sportowy Sp. z o.o. still maintains the dominant position in this market segment.

Significant financial potential and a complex sales network contributed to the fact that Totalizator Sportowy Sp. z o.o. has dominated this market segment. Since the commencement by Totalizator Sportowy Sp. z o.o. of economic activity in the cash lottery market segment, i.e. since 1999, the share of income of PML Sp. z o.o. in this segment has been insignificant, and in the last three years amounted to, 4.4% in 2004, 3.1% in 2005 and 1.9% in 2006, respectively.

## ↪ Cash bingo games salons

**Table 14** Income and growth rate of income from games organised in cash bingo salons in the period of 2004-2006

Income (in PLN thousand)			Income growth rate (previous year = 100)		
2004	2005	2006	2004	2005	2006
14 662	8 705	0	77,2	59,4	0

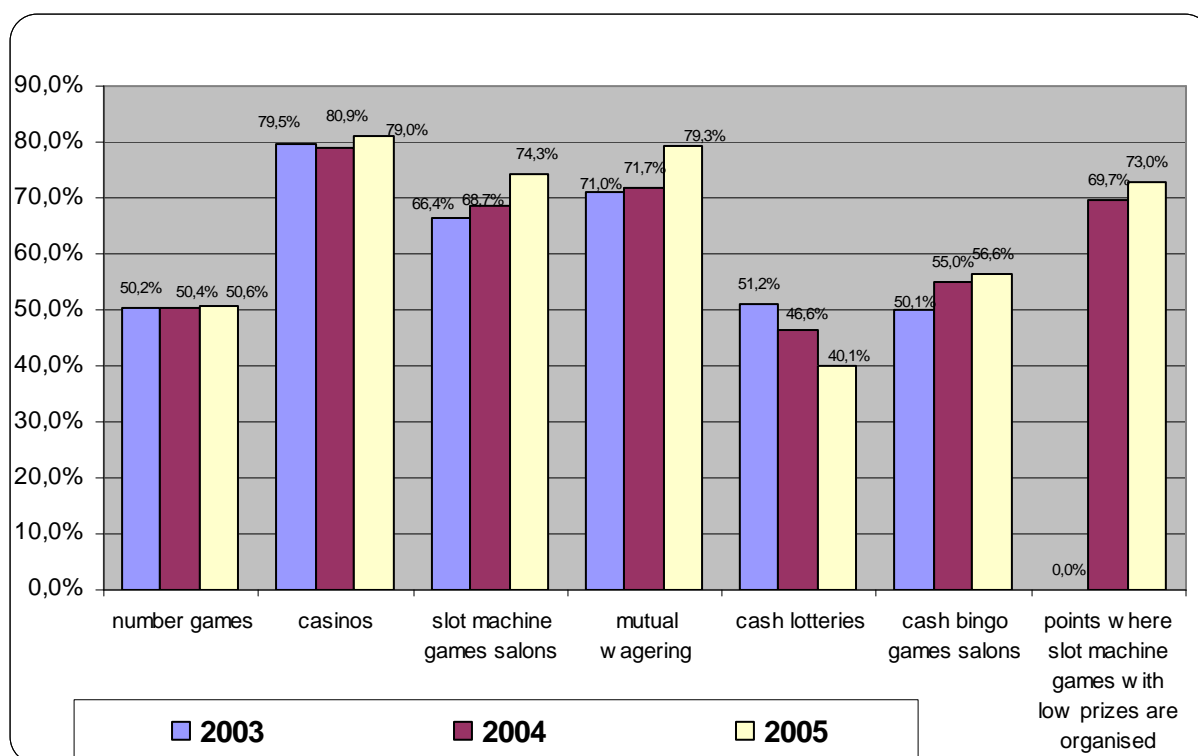
Source: data on the basis of the SGL-1 report.

In 2006 no income was posted by cash bingo salons. The systematic decline in income persistent within the past few years indicates that business entities did not show interest in the development of this market segment. Until 2005 economic activity was pursued in merely 3 games centres by 2 economic entities. By the end of 2005, no permits for cash bingo games salons were valid. The permits granted in the previous years expired after the elapse of the period for which they were granted. In 2006 no economic activity within the said scope was carried out. Thus we face the situation in which despite the fact that legal circumstances have been created for organising the said games, the economic entities were not interested in organising them.

## 2.2. Winnings in games and mutual wagering

Pursuant to Article 10, Para. 2 of the Act, the total value of winnings during number games, totalizator games and cash bingo game cannot be lower than 50% of the amount of the pre-paid stakes, and during a cash lottery, award lottery, telebingo game and ruffle bingo game cannot be lower than 30% of the total value of the lottery tickets or other participation receipts to be sold.

**Chart 5.** The share of winnings in income from games and mutual wagering in the period of 2004-2006



**Table 15** Winnings in games and mutual wagering (in PLN thousand)

Specification	Winnings			Growth rate of winnings (previous year = 100)	
	2004	2005	2006	2005	2006
Number games	1 204 021	1 185 905	1 130 201	98.5	95.3
Casinos	753 809	782 567	867 918	103.8	110.9
Slot machine games salons	530 772	779 787	1 136 149	146.9	145.7
Mutual wagering	460 096	527 768	612 521	114.7	116.1
Cash lotteries	53 707	28 218	26 552	52.5	94.1
Cash bingo games salons	8 062	4 925	0	61.8	0
Points where slot machine games with low prizes are organised	242 045	985 126	1 755 385	407.0	178.2
<b>TOTAL</b>	<b>3 252 512</b>	<b>4 294 296</b>	<b>5 528 726</b>	<b>132.0</b>	<b>128.7</b>

Source: data on the basis of: the SGL-1 report and the annual information about the activities of entities in the points of slot machine games with low prizes.

### 2.3. Financial and economic standing of entities in the games and mutual wagering market

In 2006 in various segments of the games and mutual wagering market, 63 entities conducted economic activity on the basis of the permits granted. Table 16 shows the number of the said entities.

**Table 16** Number of entities conducting business activity in the games and mutual wagering market in the period of 2005-2006 within the scope of games

Specification	Number of entities	
	2005	2006

Games falling under State monopoly	2	2
Games falling under so called "high level of risk" (entities conducting business activity exclusively on the basis of the permits granted by the Minister of Finance plus four more companies: Betako, Golden Play, Estrada Polska, and FilMOTECHNIKA, operating under the permits granted by the Minister of Finance and the head of a Tax Chamber).	20	17
Games falling under so called "low level of risk" (entities conducting business activities exclusively on the basis of the permits granted by the head of a Tax Chamber plus two more companies: Grand and Fortuna, operating under the permits granted by the Minister of Finance and the Tax Chamber)	32	44
<b>TOTAL</b>	<b>54</b>	<b>63</b>

The financial and economic results of the companies which pursue business on the games and mutual wagering market in 2006 recognised in their balance sheet as at 31 December 2006 as well as reports drawn up by the entities to be submitted to the Minister of Finance were as follows:

### 2.3.1. The material situation of entities and their sources of financing

The value of assets and liabilities of entities conducting business activity in the games and mutual wagering market as of 31 December 2006 amounted to PLN 1,544,019 thousand against PLN 1,253,394 thousand a year before.

**Table 17** The structure of assets and liabilities of entities in the games and mutual wagering market and their sources of financing (in PLN thousand)

Specification	2005				2006			
	Total Entities	Including			Total Entities	Including		
		de r t h e S <sup>8</sup>	F an d by Ta	r, an d by th e		de r t h e S <sup>8</sup>	F an d by Ta	r, an d by th e
Number of entities	54	2	20 <sup>8</sup>	32	63	2	17	44
Assets (in PLN thousand)	1,253,394	736,199	350,475	166,720	1,544,019	824,845	425,744	293,430
of which: A. Fixed assets	485,877	106,417	267,445	112,015	611,674	98,512	333,106	180,056
B. Current assets	767,517	629,782	83,030	54,705	932,344	726,333	92,637	113,374
Liabilities (in PLN thousand)	1,253,394	736,199	350,475	166,720	1,544,019	824,845	425,744	293,430
of which:								
A. Equity	814,226	572,781	157,560	83,885	942,025	610,882	179,943	151,200
of which:								
- Share capital	217,434	119,167	55,843	42,424	283,670	119,166	106,982	57,522
B. Total liabilities and provisions for liabilities	439,168	163,418	192,915	82,835	601,994	213,962	245,804	142,228
of which: - long-term	27,223	-	21,897	5,326	86,559	0	68,569	17,990
- short-term	372,149	134,984	161,444	75,721	457,336	171,569	165,214	120,553
Revenue from total activities (in PLN thousand)	6,124,496	2,512,601	2,738,690	873,205	7,414,262	2,390,376	3,479,666	1,544,220
Costs of total activities (in PLN thousand)	5,745,011	2,223,316	2,698,200	823,495	6,981,946	2,103,089	3,430,707	1,448,150
Profit/loss on economic activity (in PLN thousand)	379,485	289,285	40,490	49,710	432,316	287,287	48,959	96,070
Extraordinary profit (in PLN thousand)	3,257	-	3,200	57	46	0	0	46

<sup>8</sup> The companies Betako, Golden Play, Estrada Polska and FilMOTECHNIKA, which conducted business activities on the basis of decisions issue by the Ministry of Finance and Directors of the Taxation Chamber in 2006, were included in the list of "high risk" entities due to the fact that their level of income from mutual wagering and games salons was higher compared to the income from the centres where slot machine games with low prizes are organised.

Extraordinary loss (in PLN thousand)	<b>3,675</b>	-	3,345	330	<b>567</b>	0	0	567
Gross profit/loss (in PLN thousand)	<b>379,067</b>	289,285	40,345	49,437	<b>431,795</b>	287,287	48,959	95,549
Income tax (in PLN thousand)	<b>72,187</b>	52,667	9,245	10,275	<b>97,291</b>	64,819	13,334	19,138
Mandatory charges on financial results (in PLN thousand)	<b>36,059</b>	35,964	-	95	<b>35,661</b>	34,719	0	942
Net profit/loss (in PLN thousand)	<b>270,821</b>	200,654	31,100	39,067	<b>298,843</b>	187,749	35,625	75,469

Source: data obtained from balance sheets and profit and loss accounts of entities conducting business activities on the basis of permits issued by the Minister of Finance and the Directors of Tax Chambers

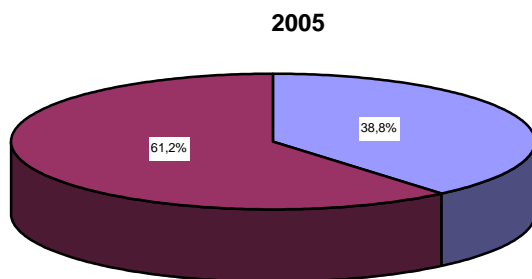
### Within the structure of assets in 2006:

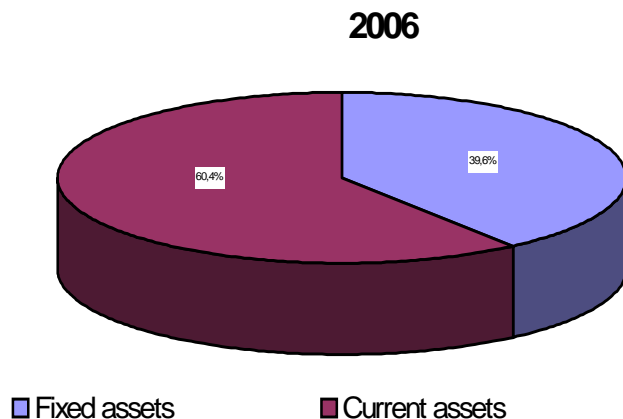
- **Fixed assets** accounted for **39.6%** against **38.8%** in the previous year, of which:
  - in companies conducting business activity within the scope falling under the State monopoly 11.9% against 14.5% in the previous year;
  - in the remaining entities: 78.2% (high level of risk) and 61.4% (low level of risk) against 76.3% (high level of risk) and 67.2% (low level of risk) in the previous year, respectively;
- **Current assets** accounted for **60.4%** against **61.2%** in the previous year, of which:
  - in companies conducting business activity within the scope falling under the State monopoly 88.1% against 85.5% in the previous year;
  - in the remaining entities: 21.8% (high level of risk) and 38.6% (low level of risk) against 23.7% (high level of risk) and 32.8% (low level of risk) in the previous year, respectively.

Within the structure of the market as a whole the value assets of entities conducting business activities on the games and mutual wagering market amounted to:

- in companies conducting business activity within the scope falling under the State monopoly, assets in 2006 were 53.4% against 58.7% in the previous year;
- in the remaining entities: 27.6% (high level of risk) and 19.0% (low level of risk) against 28.0% (high level of risk) and 13.3% (low level of risk) a year before, respectively.

**Chart 6. Assets structure of the entities from the games and mutual wagering market in the years 2005-2006**



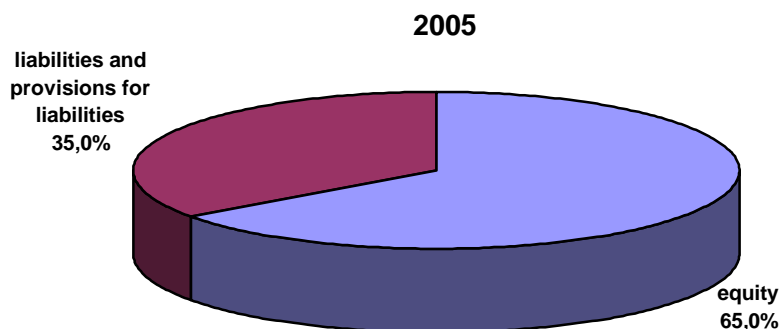


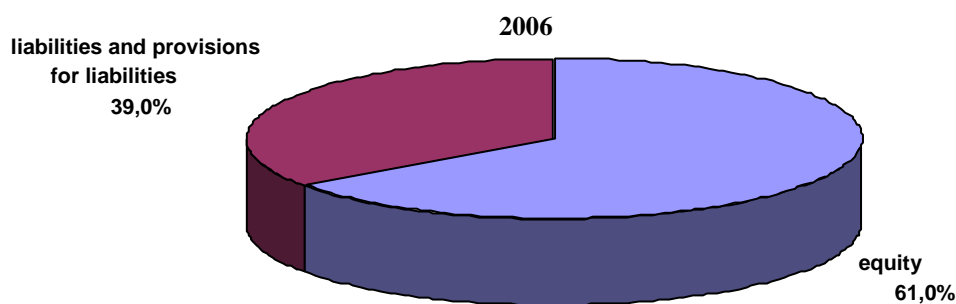
In the assets structure of the entities from the games and mutual wagering market in 2006 the current assets decreased by 0.8 percentage point compared with 2005, while the fixed assets were proportionally higher. The engagement of the entities' capitals of the said market is presented in Table 17.

**Within the structure of liabilities:**

- **Equity accounted for 61.0%** against **65.0%** in the previous year, of which:
  - in companies conducting business activity within the scope falling under the State monopoly: 74.1% against 77.8% in the previous year;
  - in the remaining entities: 42.3% (high level of risk) and 51.5% (low level of risk) against 45% (high level of risk) and 50.3% (low level of risk) in the previous year, respectively;
- **Liabilities and provisions for liabilities accounted for 39.0%** against **35.0%** in the previous year, of which in companies conducting activity:
  - within the scope falling under the State monopoly: 25.9% against 22.2% in the previous year;
  - in the remaining entities: 57.7% (high level of risk) and 48.5% (low level of risk) against 55% (high level of risk) and 49.7% (low level of risk) in the previous year, respectively.

**Chart 7. Structure of sources of financing of the entities from the games and mutual wagering market in the years 2005-2006**





The above-mentioned figures show that in 2006, just like in 2005, the entities from the games and mutual wagering market on general showed a tendency to engage their own capital on a larger scale (61.0% and 65.0%, respectively) than to use credit (39.0% and 35.0%, respectively). However, in 2006 there was a decrease in the share of equity by 4 percentage points with a simultaneous increase in the share of external sources of asset financing as compared to 2005. Moreover, the structure of asset financing was different for different entities conducting business activity on the games and mutual wagering market:

- the entities conducting business activity in the scope covered by the State monopoly tended to engage equity rather than external capital. Within the structure of their liabilities – equity amounted to 74.1% in 2006 against 77.8% in the previous year and total liabilities and provisions for liabilities were 25.9% against 22.2% a year before;
- entities included in the group of the so-called "high level of risk" showed the tendency to engage external capital to a larger extent. Within the structure of their liabilities – equity amounted to 42.3% in 2006 against 45.0% in the previous year while total liabilities and provisions for liabilities were 57.7% against 55.0% a year before;
- entities included in the group of the so-called "low level of risk" showed the tendency to engage equity to a larger extent. Within the structure of their liabilities – equity amounted to 51.5% in 2006 against 50.3% in the previous year while total liabilities and provisions for liabilities were 48.5% against 49.7% a year before.

Revenue from total activities were higher in 2006 by 21% than in the previous year. In companies conducting business activity within the scope covered by the State monopoly it was lower by 4.8% while in the remaining companies it was higher by 27% (high level of risk) and 76.8% (low level of risk).

The revenue from total activities of entities operating on the games and mutual wagering market comprise net revenue from the sales of goods and services, other operating revenue as well as financial revenue.

In 2006 the gross financial result of entities from the games and mutual wagering market amounted to PLN 431,795 thousand, out of which in the companies where the State Treasury is a sole shareholder, conducting business activity falling within the scope of the State monopoly it was PLN 287,287 thousand, compared to PLN 379,067 thousand in 2005, out of which in the companies where the State Treasury is a sole shareholder, conducting business activities falling within the scope of the State monopoly it was PLN 289,285 thousand.

Income tax of the above-mentioned entities was higher in 2006 and amounted to PLN 97,291 thousand against PLN 72,187 thousand in 2005, whereas mandatory charges on financial results were also higher

in 2006 and came to PLN 35,661 thousand compared with PLN 36,059 thousand in 2005. The decrease in the value of mandatory charges on financial results was caused by lowering the charges in companies conducting business activity falling within the scope of the State monopoly that generate over 95% of the revenue.

Net financial result of the above-mentioned entities was PLN 298,843 thousand in 2006, out of which:

- in companies conducting business activity within the scope falling under the State monopoly: PLN 187,749 thousand;
- in the remaining entities: PLN 35,625 thousand (high level of risk) and PLN 75,469 thousand (low level of risk).

### 2.3.2. Equity of the entities

Table 18 The structure of equity of the entities from the games and mutual wagering market (in PLN thousand)

Specification	2005				2006			
	Total Entities	Including			Total Entities	Including		
		de r th e	S t F an d by Ta	r, an d by th e		r th e	F an d by Ta	an d by th e
Number of entities	54	2	20	32	63	2	17	44
Equity	814,226	572,781	157,560	83,885	942,025	610,882	179,943	151,200
of which:								
Share capital	217,434	119,167	55,843	42,424	239,570	119,166	62,882	57,522
Reserve capital	347,930	257,449	82,115	8,366	425,935	308,133	101,702	16,100
Revaluation reserve	3,781	-	3,781	-	3,627	0	3,627	0
Remaining capital reserves	934	-	587	347	5,891	0	587	5,304
Retained profit/loss	- 26,674	-	- 15,866	- 6,319	-31,925	-4,166	-24,481	-3,278
Profit/loss of the business year	270,821	4,489	31,100	39,067	298,927	187,749	35,626	75,552
		200,654						

Source: data obtained from balance sheets and profit and loss accounts of entities conducting business activities on the basis of permits issued by the Minister of Finance and the Directors of Tax Chambers

The total value of equity of entities of the games and mutual wagering market in creased by 15.7% in 2006 compared to the previous year, of which:

- in companies conducting business activity within the scope falling under the State monopoly there was an increase of 6.7%;
- in companies included in the group of entities conducting business activity in respect of the so-called games of high level of risk the increase was 14.2%;

- in companies included in the group of entities conducting business activity in respect of the so-called games of low level of risk the increase was 80.2%.

The total value of share capital (shares) was higher as compared to the previous year by 10.2%, in which:

- in companies conducting business activity within the scope falling under the State monopoly there was no change;
- in companies included in the group of entities conducting business activity in respect of the so-called games of high level of risk the increase was 12.6%;
- in companies included in the group of entities conducting business activity in respect of the so-called games of high level of risk the increase was 35.5%.

The total value of reserve capital was higher as compared to the previous year by 22.4%, in which:

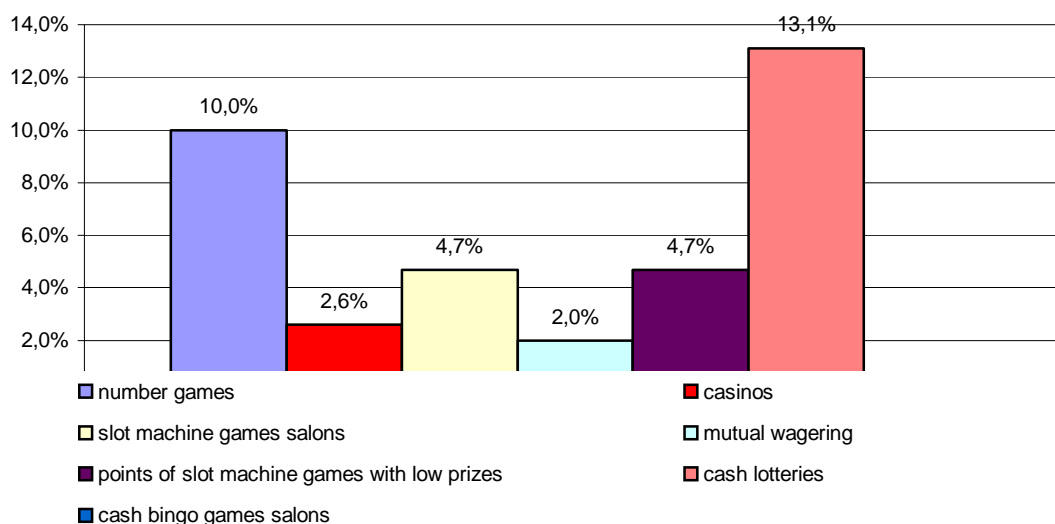
- in companies conducting business activity within the scope falling under the State monopoly there was an increase of 19.7%;
- in companies included in the group of entities conducting business activity in respect of the so-called games of high level of risk the increase was 23.9%;
- in companies included in the group of entities conducting business activity in respect of the so-called games of low level of risk the increase was 92.4%.

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### **2.3.3. Profitability of the sales of games and mutual wagering**

Profitability of the sales of games and mutual wagering in particular market segments was very varied in 2006, just like in the previous years. Cash bingo salons did not operate, whereas the profitability of cash lotteries was the highest, despite a considerable further decrease of sales, and amounted to 13.1%.

**Chart 8.** Profitability ratios of games and mutual wagering in 2006



Profitability of sales in particular segments of the market of games and mutual wagering in the years 2004-2006 was as follows:

### ↩ **Number games**

**Table 19** Profitability ratios of the sales of number games in the years 2004-2006

Year	Profitability ratio
2004	8.3%
2005	8.6%
2006	10.0%

Source: data on the basis of the SGL-1 report.

The profitability of the sales of number games had been characterised by a gradual constant growth by 2001, by 2% a year on average. In 2004 the profitability decreased to the level of 8.3%, while in 2005 the ratio increased minimally (by 0.3 percentage point). In 2006 the ratio remained within the 2% annual growth trend and amounted to 10.0%.

### ↩ **Casinos**

**Table 20** Profitability ratios of the sales of games organised in casinos in the years 2004-2006

Year	Profitability ratio	Number of game salons	
		total	unprofitable salons

2004	2.5%	25	12
2005	1.2%	27	11
2006	2.6%	27	11

Source: data on the basis of the SGL-1 report.

The profitability ratio achieved in 2006 was almost twice higher (by 1.4%) than in 2005 when it amounted to 1.2%, i.e. the lowest level between 2003 and 2005. However, the number of unprofitable game salons did not increase and remained at the same level as in 2005.

### ☞ Slot machine games salons

**Table 21** Profitability ratios of the sales of games organised in slot machine games salons in the years 2004-2006

Year	Profitability ratio	Number of game salons	
		total	unprofitable salons
2004	6.2%	167	39
2005	4.5%	175	45
2006	4.7%	188	45

Source: data on the basis of the SGL-1 report.

In 2006 the profitability ratio increased slightly (by 0.2 percentage point) as compared to the ratio in 2005. The number of unprofitable salons remained at the same level although their share in the total number of salons decreased. It results from the opening of other salons in 2006. It is related also to large investment outlays and therefore the majority of new games salons do not reach the break even point in the first year of operation.

### ☞ Mutual wagering

**Table 22** Profitability ratios of the sales of mutual wagering in the years 2004-2006

Year	Profitability ratio
2004	2.6%
2005	0.9%
2006	2.0%

Source: data on the basis of the SGL-1 report.

After reaching the level not exceeding 1% in 2005, the ratio increased more than two times in 2006 and amounted to 2.0%.

### ☞ Cash lotteries

**Table 23** Profitability ratios of cash lotteries sales in the years 2004-2006

Year	Profitability ratio		
	Total	Totalizator Sportowy Sp. z o.o.	PML Sp. z o.o.
2004			
2005			
2006			

2004	4.9%	5.5%	negative
2005	9.9%	10.5%	negative
2006	13.1%	13.6%	negative

Source: data on the basis of the SGL-1 report.

In 2006 the profitability of sales in the cash lotteries market increased by 3.2 percentage points compared to 2005. Only the lotteries organised by Totalizator Sportowy Sp. z o.o. achieve the break-even point. The sales profitability ratio in 2006 was influenced by inter alia the amount allocated for the payment of winnings. In 2006 the share of winnings in the revenues amounted to 46.5%, and in 2005 to 40.1%.

### ↪ Cash bingo games salons

Table 24 Profitability ratios of cash bingo sales in the years 2004-2006

Year	Profitability ratio
2004	negative
2005	negative
2006	Not operated

Source: data on the basis of the SGL-1 report.

The decrease in the revenues from cash bingo games, which was deepening in the years 2003-2005, indicated that the activities in this market segment are unprofitable. The sales from the organisation of those games did not allow for generating profits. Evidence supporting the above-mentioned fact is that as of the end of 2005 there were no permits introduced for cash bingo salons. In 2006 no economic activity within that scope of activities was carried out.

### ↪ Points where slot machine games with low prizes are organised

Table 25 Profitability ratios of the sales of slot machine games with low prizes in the years 2004-2006

Year	Profitability ratio
2004	4.3%
2005	3.8%
2006	4.7%

Source: data on the basis of the annual information about the activities of the operators in the points offering slot machines games with low prizes

Out of 42 entities carrying out activity in points of games on slot machines with low prizes, in 6 companies the achieved sales level from organizing slot machine games with low prizes did not allow to generate profits.

Profitability ratio of the sales of slot machine games with low prizes increased by 0.9 percentage point in 2006 in comparison to 2005. Although the launching of new games requires large investment outlays, the share of unprofitable enterprises in the whole group of enterprises decreased by 8.6 percentage points in 2006 and amounted to 14.3%. In 2005 the share amounted to 22.9%.

### 3. Tax on games, fees and payments in the games covered by the government monopoly

#### 3.1. Tax on games

Table 26 Tax on games on the basis of the SGL-1 report and the annual Information about the activities of the entities in the points of slot machine games with low prizes.  
(in PLN thousand)

Specification	Tax on games			Changes of tax on games (previous year = 1000)	
	2004	2005	2006	2005	2006
Number games	477 947	469 131	450 310	98.2	96.0
Slot machine games salons	108 868	121 538	151 855	111.6	124.9
Casinos	90 057	83 707	99 641	92.9	119.0
Mutual wagering	62 192	63 754	83 037	102.5	130.2
Cash lotteries	17 299	10 547	8 560	61.0	81.2
Cash bingo games salons	1 467	871	0	59.4	-
<b>Total (games and mutual wagering)</b>	<b>757 830</b>	<b>749 548</b>	<b>793 403</b>	<b>98.9</b>	<b>105.9</b>
Points of machine slot games with low prizes	14 430	56 140	114 213	389.1	203.4
<b>TOTAL</b>	<b>772 260</b>	<b>805 688</b>	<b>907 616</b>	<b>104.3</b>	<b>112.7</b>

Amounts due from tax on games in 2006 reached PLN 907.6 million and were 12.7% higher than in 2005.

The budget income due to tax on games for 2006 amounted to PLN 894.9 million<sup>9</sup>.

The difference between the amount due from tax on games and the state budget income results inter alia from:

- payments for previous years made in 2006;
- arrears not paid;
- issued post-control decisions on the amount of the payment of tax on games and its reimbursement;
- shifts of a part of the payment of tax on games to the beginning of a new budget year in some cases.

This increase of income was generated mainly by a new segment of the games and wagering market, i.e. slot machine games with low prizes which amounted to 103.4% in 2006.

In 2006 the growth of income from games tax was recorded in four market segments:

- the highest growth was in the segment of slot machine games with low prizes, games tax income increased here by 103,4%;
- in the mutual wagering segment - by 30.2%;
- in the slot machine games segment – by 24.9%;
- in casinos segment – by 19%.

The decrease in the income from tax on games was recorded in the case of:

- cash lotteries – by 18.8%;
- number games – by 4.0%.

In the case of cash bingo games, there were no proceeds from tax on game since no activities were conducted in this regard.

<sup>9</sup> Data from the implementation of the state budget for 2006.

As compared to the previous year's dynamics, the dynamics of tax on games decreased in the number games and cash lotteries segment and increased in all other segments of the market, apart from cash bingo games. The increase was the highest in the segment of slot machine games with low prizes, i.e. from 7.0% to 12.0% of the share in total tax on games in 2006.

**Table 27** Structure of the income from games tax in the years 2004-2006, broken down by types of games and mutual wagering (%)

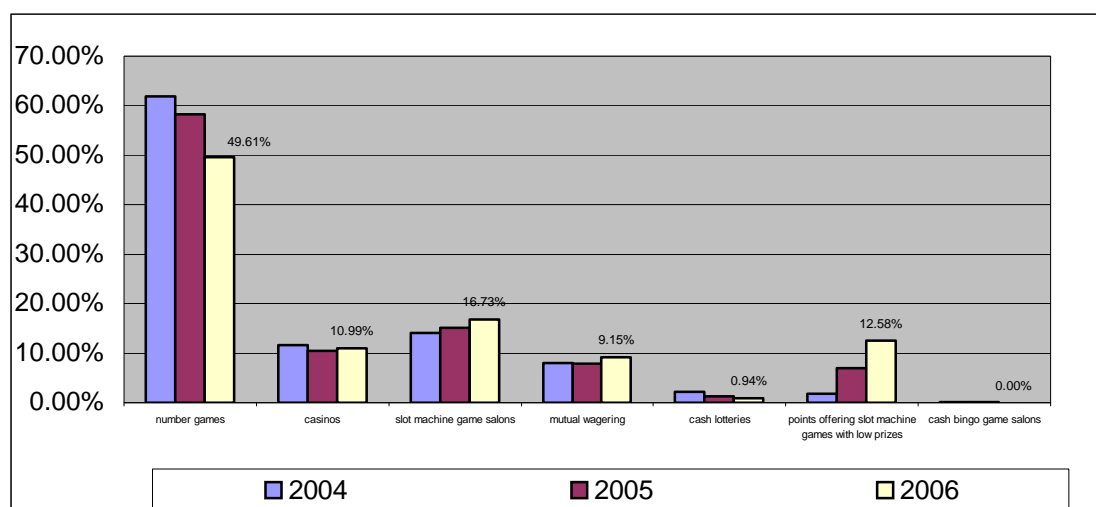
Type of game	2004	2005	2006
Number games	61.9	58.2	49.6
Slot machine games salons	14.1	15.1	16.7
Casinos	11.7	10.4	11.0
Mutual wagering	8.1	7.9	9.2
Slot machine games with low prizes	1.9	7.0	12.6
Cash lotteries	2.2	1.3	0.9
Cash bingo games salons	0.2	0.1	0

The following games had the biggest share in the structure of games tax income for 2006:

- number games (49.6%),
- slot machine games salons (16.7%),
- points where the slot machine games with low prizes are organised (12.6%),
- casinos (11%),
- mutual wagering and cash lotteries (9.2% and 0.9% respectively).

There was no income from the tax on cash bingo games in 2006 due to the fact that the operators ceased activities in this regard. The share of the tax on cash bingo games in the structure of the tax on games remained at a low level and was of marginal importance in the previous years.

**Chart 9. Change of structure of income from games tax in the years 2004-2006**



The share of tax on slot machine games with low prizes and on slot machine games in the state budget income from tax on games gradually increased in the analysed period. After a decline, the tax income from mutual wagering also increased last year. However, the share of the tax on number games and cash

lotteries decreased. The share of the tax on games organised in casinos fluctuated slightly in the years 2004-2006.

Dynamics of the income from games tax in particular segments of the market of games and mutual wagering is varied and was as follows:

#### ☞ **Number games**

Tax on number games in the years 2004-2006 amounted to over a half of total income of the state budget in this respect, while in 2006 its share in the income fell below 50%:

- in 2004 – 61.9%,
- in 2005 – 58.2%,
- in 2006 – 49.6%.

#### ☞ **Casinos**

The share of the tax on games organised in casinos increased again after a slight drop in 2005:

- in 2004 – 11.7%,
- in 2005 – 10.4%,
- in 2006 – 10.99%.

#### ☞ **Slot machine games salons**

The share of budget income from the tax on slot machine games grew steadily in the structure of games tax in the analysed period:

- in 2004 – 14.1%,
- in 2005 – 15.1%,
- in 2006 – 16.7%.

#### ☞ **Mutual wagering**

Between 2004 and 2006 the budget income from tax on mutual wagering fluctuated within the range of 8-9%.

**Table 28** Tax on mutual wagering games in the years 2004-2006  
*(in thousand)*

*(in PLN)*

<b>Types of mutual wagering</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Totalisator systems	1 365	1 095	807
Bookmaking	60 827	62 659	82 230
<b>TOTAL</b>	<b>62 192</b>	<b>63 754</b>	<b>83 037</b>

*Source: data on the basis of the SGL-1 report.*

In 2006 the budget proceeds from games tax on mutual wagering were higher by 30% as compared to the previous year. After the decline in the increase rate of proceeds in 2005 (around 2.5% as compared to

2004), the increase rates exceeding 20% within a year has returned (in 2004 the proceeds increased by 22.6%).

The structure of income from the tax on mutual wagering games in the last three years fluctuated:

- in 2004 – 8.1%,
- in 2005 – 7.9%,
- in 2006 – 9.2%.

The overwhelming majority of revenue from the tax on mutual wagering games is generated by entities organising bookmaking services (99.0%).

#### **a) totalisator systems – structure of income from games tax**

Table 29 Structure of income from totalisator games in the years 2004-2006 (%)

Types of totalisator systems	2004	2005	2006
Guessing the results of contests between animals	36.5	35.5	1.0
Guessing the results of contests between people	63.5	64.5	99.0

Tax on bets consisting in guessing the results of sports competition in which the competitors are people accounted for the majority of the structure of income from totalisator systems. Pursuant to the Act, the tax rate on guessing the results of sports competition in which the competitors are people amounts to 10%, and on guessing the results of sports competition in which the competitors are animals – 2%. In addition, Służewiec Tory Wyścigów Konnych Sp. z o.o. ceased to operate in 2006. In the previous years this company generated a significant share of income from bets consisting in guessing the results of sports competition in which the competitors are animals.

#### **b) bookmaking – structure of income from games tax**

Table 30 Structure of income from bookmaking services in the years 2004-2006 (%)

Types of bookmaking services	2004	2005	2006
Guessing the results of contests between animals	–	–	–
Guessing the results of contests between people and other events	100.0	100.0	100.0

The tax on bets consisting in guessing the results of sports competition in which the competitors are people has accounted for the majority of income from the tax on bookmaking services since 2001. The bets consisting in guessing the results of sports competition in which the competitors are animals were still not conducted in 2006 and the structure of revenues from previous years has changed. The majority of revenues, i.e. 70.1% came from “other bets”, e.g. occurrence of various social or economic events. Only 29.9% of revenues in 2006 came from wagering consisting in guessing the results of sports contests between people.

#### **☞ Cash lotteries**

The tax on cash lotteries decreased by 19% in 2006 in comparison to 2005. It was another year with the decreasing income and tax on games from cash lotteries (the tax decreased by 39% in 2005 as compared

to 2004). The share of cash lotteries in the structure of the games tax is characterised by a constant downward trend.

- in 2004 – 2.2%,
- in 2005 – 1.3%,
- in 2006 – 0.9%.

### **Cash bingo games salons**

The activities related to cash bingo salons have been characterised by a distinct downward trend for several years, both in terms of revenues and games tax budget income. In 2005, in comparison to the previous year, tax on games organised in cash bingo salons was lower by 40.6%. In 2006 the revenues from this tax ceased completely due to the expiry of licenses for the organisation of cash bingo games.

The share of cash bingo in the structure of games tax decreased from 0.2% in 2003 to 0% in 2006.

- in 2004 – 0.2%,
- in 2005 – 0.1%,
- in 2006 – 0%.

### **Points where slot machine games with low prizes are organised**

Pursuant to Article 45a of the Act, taxpayers having a license to organise slot machine games with low prizes paid a flat rate games tax in 2006, amounting to EUR 125 for every slot machine with low prizes. It was EUR 25 more than in 2005.

Income from flat rate tax on slot machine games with low prizes amounted to PLN 114.2 million in 2006 and had a 12.6% share in the tax on total games and mutual wagering market. The strong upward trend on this segment of the market was maintained and it generated 103% more income from tax on games as compared to 2005 (PLN 56.1 million of additional revenues). Dynamics of this type of budget revenue is still very high though for obvious reasons it did not accomplish a 389.1% increase in the revenues from tax obtained in 2005 as compared to 2004.

## **3.2. Income from fees for licenses, examinations and professional certificates in 2006**

Pursuant to the act fees for granting or extending licenses, organizing examinations, issuing a professional certificate or acknowledging certificates issued by a specialized institution as equivalent to professional certificates, pursuant to article 19 (4) of the Act, constitute income of the state budget and were paid to a separate account of the minister responsible for public finance. In 2006 the revenues in this regard amounted to PLN 30.3 million and were 5.6% higher than in the previous year when such revenues amounted to PLN 28.7 million and were 14.3% higher than in 2004.

## **3.3. Extra payments for rates, prices of tickets and other evidence confirming the participation in games**

As from 1 November 1994, the amendment to the Act on games and mutual wagering of 19 August 1994<sup>10</sup>

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<sup>10</sup> Dz. U. of 1994r, No 98, item 472

introduced extra payments to rates in number games, which are a government monopoly. The extra payments amount to 20% of the rate established for every game.

As of 15 June 2003, another amendment of the Act increased the rate of extra payments in number games from 20% to 25%. In addition extra payments amounting to 10% for videolotteries, cash lotteries and telebingo games were established.

According to the binding regulations as of the end of 2006, the income from above mentioned sources was transferred to a separate account created for this purpose by:

- the minister competent for culture and national heritage – 20%;
- the minister competent for physical education and sport – 80%.

The amount of extra payments calculated for rates in games, which constitute government monopoly, in the years 2004-2006 is shown in Table 31.

**Table 31** Income due to extra payments to rates in games, which constitute the government monopoly  
(in PLN thousand)

Year	2004	2005	2006
Income due to extra payments to rates in number games	597 433	586 414	562 887
Income due to extra payments to rates in cash lotteries	4 253	5 228	5 503
<b>TOTAL OF EXTRA PAYMENTS</b>	<b>601 686</b>	<b>591 642</b>	<b>568 390</b>

Source: data on the basis of the SGL-1 report.

Totalizator Sportowy Sp. z o.o. and Polski Monopol Loteryjny Sp. z o.o. transferred the amount of PLN 543 242 thousand on the dates specified by law for:

- culture      PLN 108 648 thousand
- sport        PLN 434 594 thousand.

#### 4. Supervision and control of the activities regulated by the act

Pursuant to Article 48 of the Act, minister competent for public finance exercises supervision and control over the activity of the entities organising and conducting chance games, mutual wagering, slot machine games or slot machine games with low prizes – as regards compliance of the activity with the provisions of the Act, the license issued and the rules of the chance game, mutual wagering, slot machine game or slot machine game with low prizes. Minister competent for public finance performs the supervision and control through organisational units subordinate to the minister, like:

- 1) competent departments of the Ministry of Finance (since 20 May 2006 they are: the Customs Service Department and the Customs-Excise Control and Gambling Control Department);
- 2) Tax Chambers and Tax Offices;
- 3) Customs Offices.

Making use of the current legal possibilities the Minister in charge of public finance matters, by way of an ordinance<sup>11</sup>, has provided Directors of Tax Chambers with the scope of the supervisory and control powers in respect of entities organising the following games on the territory of the given Chamber: award lotteries, raffle bingo, promotion lotteries and slot machine games with low prizes.

The minister competent for public finance exercises also special tax supervision as regards organising games on tables, slot machine games and slot machine games with low prizes, in the scope and on the basis of provisions of separate regulations.<sup>12</sup>

In 2006, the supervision and control on behalf of the Minister of Finance was carried out:

- 1) a priori –
  - through the analysis of submitted documents through administrative proceedings, within the framework of the licensing procedure;
- 2) a posteriori –
  - through the control of the activities of entities conducting their activity on the basis of a permit issued by the Minister of Finance as well as in entities acting within the State monopoly in respect of games of chance;
  - through the supervision of Directors of particular Tax Chambers as regards the correctness of issuing of permits for the organisation of promotion lotteries, award lotteries, raffle bingo and slot machine games with low prizes on the territory of one Voivodeship;
  - through constant cooperation with other state bodies as regards the supervision of the market of chance games, mutual wagering, slot machine games and slot machine games with low prizes.

Supervision and control exercised by Directors of Tax Chambers and heads of Customs Offices is performed through:

- controls by employees of competent Tax Chambers of correct organisation of award lotteries, raffle bingo games, promotion lotteries and slot machine games with low prizes – according to the territorial scope of organisation of these games and the place of issuing of decisions allowing for the games to be organised;
- special tax supervision by heads of Customs Offices as regards games organised in casinos, slot machine games in salons and slot machine games with low prizes in game points, in the places where they are organised.

The control exercised in 2006 by the officers authorised by the Minister of Finance was to verify whether the entities that had been granted a license observe the provisions of the Act, the regulations and the conditions specified in the permit.

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<sup>11</sup> Regulation of the Minister of Finance of 28 August 2003 authorising the heads of Tax Chambers to perform certain activities concerning the games of chance and mutual wagering (Journal of Laws No. 152, item 1486).

<sup>12</sup> Act of 24 July 1999 on the Civil Service (Journal of Laws of 2004, No. 156, item 1641 as amended).

The controls exercised by fiscal administration and heads of Customs Offices were aimed at:

- ensuring that tax duties are fulfilled and other amounts due, which constitute the revenue of the state treasury, have been paid;
- verifying whether entities carrying out economic activity concerning games and mutual wagering act in line with the provisions of the Act, the executive regulations issued for the Act, granted permits and approved regulations of the game or mutual wagering.

The above bodies exercise control in the scope resulting from the provisions of the Act and other provisions regulating their scope of activity.

Table 32 Number of controls performed in the years 2004-2006

<b>Institutions performing the controls</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Minister of Finance (controls carried out by the Department of Chance Games (2002-2006) and the Customs-Excise Control and Gambling Control Department - 2006)	41	26	20
Tax Chambers	38	34	24
Treasury Control Offices (own controls):	-	-	1
Customs Offices (random controls performed by special tax supervision officers)	6476	13046	15 646

### **Supervision and control performed on behalf of the Minister of Finance**

In 2006, competent departments with control powers conducted 20 controls on behalf of the Minister of Finance, of which:

- 1 control of a casino;
- 1 control of a slot machine games salon;
- 1 control in the seat of a company owning slot machine games salons and casinos;
- 3 controls of nationwide promotion lotteries;
- 1 control of an audiotext lottery;
- 11 controls in points of mutual wagering;
- 1 control in the seat of an entity carrying out economic activity concerning mutual wagering;
- 1 control in the seat of Totalizator Sportowy Sp. z o.o. in respect of organising number games – ‘Zakłady Specjalne’ (Special Bets).

The detailed list of the performed controls is provided in Annex 1.

During the controls performed in 2006 by the Customs-Excise Control and Gambling Control Department of the Ministry of Finance the following items were verified: the organisation of mutual wagering points and game centres, the organisation of promotion lotteries, audiotext lotteries and mutual wagering as regards the compliance of their activity and organisation with the provisions of the Act, the permit and the approved regulations of a chance game, mutual wagering, or slot machine games.

During the controls carried out in 2006 in mutual wagering points, game centres and seats of entities organising chance games, mutual wagering and slot machine games the following irregularities were detected:

- failure to notify the Minister of Finance on commencing an activity that requires a permit;
- failure to state the full value of the pool of prizes in a promotion lottery;
- lack of a supervisory commission for the organisation of promotion lotteries;
- irregular inventorying and writing out of personal certificates of the prize;
- failures to hold a professional certificate issued by the Minister of Finance by individuals supervising the games;
- issuing prizes to the winners in a manner that fails to meet the rules of promotion lotteries;
- participation of individuals who fail to meet the rules of the game in promotion lotteries;
- conducting activity in respect of mutual wagering in places other than those featured in the permit;
- organising slot machine games with low prizes in points of mutual wagering.

As a result of the controls, in 2006 the competent Tax Offices received 19 notifications of suspected crimes or tax offences – as defined in Chapter 9 of the Fiscal Penal Code (fiscal crimes and offences against the proper organisation of chance games, mutual wagering and slot machine games). The total value of fines imposed by the Tax Offices in this regard amounted to PLN 4,150.

### **Supervision and control performed by Tax Chambers**

Within the framework of the exercised supervision and control the Tax Chambers carried out 24 controls during which they controlled the organisation of 30 promotion lotteries (see Annex 2). As a result of the controls, 5 cases were transferred to Tax Offices in order for penal tax proceedings to be launched.

The irregularities detected by the Tax Chambers concerned the following:

- failures to hold a professional certificate by individuals supervising the organisation of promotion lotteries;
- organising promotion lotteries without the required permit.

Within the framework of the exercised supervision and control in 2006, Tax Chambers carried out 7 controls of the activities of entities organising and conducting the slot machine games with low prizes in the seats of those companies and controlled 134 points organising slot machine games with low prizes.

The irregularities detected by the Tax Chambers concerned the following:

- lack of a register to state and calculate the amount of a lump-sum tax on games;
- lack of security seals of the examination entity on game machines;
- failures to inform the Tax Chamber on the changes in the ownership of the premises where a game point is located;
- lack of registration certificates of the slot machines used in the game points;
- registration certificates of the slot machines used in the game points not certified as true copies;
- locating game points in premises of a different type than that stipulated in the Act on chance games and mutual wagering;
- names of premises where a game point is located different than that featured in the permit;
- situating a game point within less than 100 m from an educational institution.

Within the framework of the exercised supervision Tax Chambers analysed documentation connected with the conducted licensing procedure as well as the correctness of the performance of the granted permits in respect of the number of game points launched, observing the date of launching the activity, the accuracy and timeliness of submitting collateral and fulfilment of the conditions for localising game points.

### **Supervision and control performed by special tax supervision officers**

Controls in casinos, slot machine games salons and points of slot machine games with low prizes were carried out by special tax supervision officers employed in or on duty at Customs Offices.

In 2006, within the framework of special fiscal supervision, Customs Offices conducted controls in 27 casinos in respect of opening and closing game tables and calculating the results of table games and slot machine games in the form of an ongoing supervision.

In slot machine games salons special fiscal supervision was carried out in the form of random controls.

In 2006, special tax supervision officers performed 1,770 random controls in 188 slot machine games salons.

The scope of the controls included:

- checking the readings of the credit and chip counters and comparing them with the daily reports;

- calculation of the results of slot machine games;
- checking the documentation kept;
- establishing the actual situation as compared to the situation featured in the official inspection protocol.

The controls carried out by the special tax supervision officers revealed 6 irregularities.

They were mainly linked with inconsistencies of counter readings in slot machines (4 cases), lack of a seal of the examination entity (1 case) and irregularities in documentation (1 case).

In 2006, special tax supervision officers performed 13,876 random controls in salons organising slot machine games with low prizes.

The scope of the controls included:

- calculation of income, application of the maximum bet and the value of the maximum winning in the slot machine games with low prizes;
- checking the documentation kept;
- establishing the actual situation as compared to the situation featured in the protocol of an official check.

The controls carried out by the special tax supervision officers revealed 386 different irregularities.

They were mainly connected with:

- lack of appropriate entries into the *Control register of the use of slot machines* and errors in the documentation kept – 91 cases;
- revealing expired service seals on slot machines – 28 cases;
- delayed notifications to the head of the Customs Office of the introduced changes in respect of the situation established in the official inspection protocol – 19 cases;
- carrying out slot machine games without the necessary permit – 11 cases;
- lack of a readily available rules of games in slot machine games points; lack of information on the prohibition of participation of minors in the games – 9 cases;
- exceeding the permitted value of a single winning (change of the euro exchange rate) – 7 cases;
- lack of a valid certificate of the registration of slot machines in the premises where they were used – 3 cases;
- launching a slot machine before the declared date of the commencement of use – 1 case;
- participation of a minor in a game – 1 case;
- failure to adhere to rules pertaining to localising a slot machine games with low prizes point within an obligatory distance from religious worship centres and schools – 2 cases;

- zeroing counters in 4 slot machines because of which it has not been possible to count incoming and outgoing payments – 1 case.

Moreover, the Customs Service has conducted systematic controls of entities organising slot machine games without a valid permit. The aim of the controls is to eradicate or substantially limit the ‘grey zone’ of illegal slot machine games. Control and reconnaissance activities are conducted by Customs Offices, frequently with the aid of the Police.

As a result of the activities 1,089 controls were carried out in 2006. In connection with the infringement of the provisions of Article 107 of the Fiscal Penal Code 1,574 slot machines were secured in 2006.

The total amount of fines imposed by Customs Offices as a result of finalised penal tax proceedings was PLN 141,133 in 2006, while courts ruled on the confiscation of 474 slot machines.

It has to be pointed out that the number of secured slot machines on which illegal games were organised has been steadily decreasing. There is also the tendency to open legal points where the slot machine games with low prizes are organised in premises where illegal machines were previously discovered. The number of legal points where the slot machine games with low prizes are organised has been systematically increasing throughout the country.

**Within the framework of the statutory obligation of supervising the Tax Chambers the following activities were conducted:**

- the analysis of compliance of the decisions and the approved rules of the games with the requirements of the Act and its executive regulations, issued by the Tax Chambers;
- assessment of the correctness of the supervision and control over local organisation of chance games by Tax Chambers on the basis of an analysis of submitted documentation of the controls performed.

In connection with the competences resulting from Article 13 of the Act and its executive regulations, in 2006 the Tax Chambers examined 104 applications for granting permits to conduct economic activity within the scope of organising slot machine games with low prizes, issuing positive decisions in 64 cases. Tax Chambers did not receive any applications for granting a permit in respect of raffle bingo. There was one application for a permit to organise an award lottery but it was not accepted. The Tax Chamber was submitted 98 applications for a promotion lottery out of which 85 permits were issued.

The analysis of the decisions on granting permits issued by Tax Chambers and the approved rules of the games revealed numerous irregularities in respect of the compliance with the requirements of the Act and the Regulation of the Minister of Finance of 3 June 2003 on the conditions concerning the organisation of games of chance and mutual wagering.<sup>13</sup>

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<sup>13</sup> Journal of Laws No. 102, item 946.

The irregularities revealed in the decisions issued by the Chambers – permits for the organisation of promotion lotteries concerned dates of organising the lottery other than the date featured on the permit and in the rules.

The irregularities revealed in the rules governing the organisation of promotion lotteries approved by the Chambers concerned:

- lack of the name of the lottery;
- lack of the name of the entity organising the lottery;
- difference between the date for the organisation of the lottery specified in the rules and the date of issuing prizes;
- failure to specify the deadline for submitting claims;
- failure to specify the value of the pool of prizes;
- using the notions of a ‘promotion lottery’ and a ‘competition’ interchangeably.

The analysis of the decisions on permits issued by the Tax Chambers and the approved rules of the slot machine games with low prizes showed that:

- irregularities in permits granted for organising and conducting activity in respect of slot machine games with low prizes included, *inter alia*:
  - imprecise specification of the location of points organising games on slot machines with low prizes;
- the irregularities in the approved rules governing the organisation of slot machine games with low prizes concerned:
  - lack of the full name and address of the entity organising the game;
  - unspecific statement of rules of the game;
  - incorrect definition of the capital of the game allocated for the immediate payment of the winnings or the failure to specify this capital.

In 2006, the Ministry of Finance responded to 19 complaints from the participants of games and mutual wagering concerning the principles of the organised games and mutual wagering, of which:

- 9 complaints concerned number games;
- 2 complaints concerned slot machine games;
- 1 complaint concerned an audiotext lottery;
- 7 complaints concerned mutual wagering.

Summing up the execution of supervision and control over activity covered by the Act by the Minister of Finance it has to be stressed that the number of irregularities detected by way of controls of entities acting legally on the chance games and mutual wagering market conducted in 2006 shows a declining trend, which proves the preventive role of the controls.

When it comes to controls of illegal organisation of games, particularly slot machine games, it has to be underlined that apart from revealing the practice and punishing the perpetrators there is also the tendency to open legal points where the slot machine games with low prizes are organised in premises where illegal machines were previously discovered.

## **5. Registration, examinations and professional certificates**

### **5.1. Registration of slot machines and other devices used for games**

Exercising the delegation from Article 16 of the Act, the Minister of Finance, by way of the Regulation of 3 June 2003 on the conditions concerning the organisation of games of chance and mutual wagering<sup>14</sup>, set forth the general conditions for organising the games and the conditions for the certification of the slot machines or other devices used for games fit for use on the territory of the Republic of Poland.

The examination preceding the registration of a slot machine or other device used for games is carried out by the examining unit authorised by the minister responsible for public finance.

The examination consists in checking whether the construction of the slot machine or other device used for games guarantees:

- safety of use;
- correct functioning of electromechanical and electronic systems;
- possibility to establish the degree of the randomness of the game;
- protection against external interference;
- correct establishment of the maximum bid and the maximum value of a single winning.

The examination which precedes the registration covers also checking whether the slot machine is equipped with:

- 1) information visible for the players, placed in a way which prevents its removal without damaging or destroying the machine, which states the name of the slot machine, the bid, table of winnings, the description of how the game is played and the indication of the permit referred to in Article 24, Paras. 1 and 1a of the Act;
- 2) the system for permanent registration and recording of the data which allow for establishing the amount of the taxation basis for the tax on games in the case of slot machines or the tax on income in the case of slot machines with low prizes.

It should be added that the above-mentioned provision applies to other devices used for games accordingly.

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<sup>14</sup> Journal of Laws No. 102, item 946.

The minister responsible for public finance authorised the following entities to carry out the examinations preceding the registration of slot machines or other devices used for games:

1. University of Science and Technology (AGH) in Cracow;
2. Electrotechnical Institute, Branch I in Gdańsk;
3. Institute of Power Engineering in Warsaw;
4. Institute of Precision Mechanics in Warsaw;
5. Lublin University of Technology;
6. Technical University of Łódź;
7. Rzeszów University of Technology;
8. Warsaw University of Technology;
9. Wrocław University of Technology;
10. Polish Centre for Testing and Certification in Warsaw;
11. Industrial Institute of Electronics in Warsaw;
12. Office of Technical Inspection in Poznań;
13. Research and Development Unit PREDOM OBR.

When a given entity obtains the positive result of the examination preceding the registration, the minister responsible for public finance confirms the registration of the slot machine or other device used for games upon the application of the entity in which he/she indicates the registration number of the slot machine or other device used for games. The confirmation of the registration indicates that the given entity is authorised to put the slot machine or other device for games to operation and use it. The confirmation of registration is valid for 6 years.

From 15 June 2003, i.e. from the date of the entry into force of the amendment to the Act, the applications for registration are submitted by the entities carrying out activities related to games of chance, slot machine games and slot machine games with low prizes.

**Table 32** The number of confirmations of registration of slot machines or other devices used for low-prize games issued by the minister responsible for public finance in 2006

<b>Place of use</b>	<b>Devices for games of chance</b>	<b>Slot machines</b>	<b>Total</b>
Slot machine games salons	18	1466	1484
Casinos	8	63	71
Cash bingo games salons	-	-	-
Points where slot machine games with low prizes are organised	-	10426	10426
<b>T O T A L</b>	<b>26</b>	<b>11955</b>	<b>11981</b>

Since the entry into force of the amendment to the Act, i.e. from 15 June 2003 until 31 December 2005, the total of 39,247 slot machines and devices used for games as well as slot machines for games with low prizes were granted the confirmation of registration.

## 5.2. Professional examinations and certificates

The rules governing the examinations and the issue of professional certificates and the payment of fees in 2006 were regulated by the provisions of the Act and the implementing provisions (Regulation of the Minister of Finance of 3 June 2003 on the execution of certain provisions of the Act on games of chance and mutual wagering).<sup>15</sup>

In 2006, 87 examinations were carried out by the commission appointed by the minister responsible for public finance. 2,932 candidates took the examinations in 2006. Those who passed were granted professional certificates (2,897 individuals).

The number of examined persons, the professional certificates issued and the fees collected in 2006 by entities and type of games or mutual wagering was presented in Annex 3.

The budget received PLN 2,071,409 in examination fees in 2006 and PLN 654,722 in fees for the issue of professional certificates (PLN 2,726,131 in total).

**Table 33** The number of examinations, the number of entities applying for the examination and the number of professional certificates issued in the years 2004-2006

Year	Number of examinations	Number of professional certificates issued
2004	51	1855
2005	72	2557
2006	87	2897

In 2006, the minister responsible for public finance examined 877 applications for professional certificates submitted by the entities conducting economic activity in the field of games and mutual wagering.

In 2006, in accordance with Article 19, Para. 4 of the Act, the minister responsible for public finance decided that 12,914 certificates issued by Totalizator Sportowy Sp. z o.o. for the total fees amounting to PLN 2,918,564 were equivalent to professional certificates.

<sup>15</sup> Journal of Laws No. 102, item 948 as amended.