DENNYS CORP
Form 8-K
February 17, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 14, 2005

Denny's Corporation
(Exact name of registrant as specified in its charter)

Delaware	0-18051	13-3487402
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

203 East Main Street, Spartanburg, SC	29319-0001
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (864) 597-8000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On February 17, 2005, Denny's Corporation issued a press release announcing financial results for the fourth quarter and year ended December 29, 2004. A copy of the press release is attached as Exhibit 99.1 hereto and incorporated herein by reference.

Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

(a) This filing describes certain adjustments which Denny's Corporation, Inc. (the "Company") has determined to make in the course of restating certain of its prior period financial statements. These adjustments were not attributable to any material noncompliance with any financial reporting requirements under securities laws by any employee, officer, or director of the Company as a result of any misconduct. The restatement has no impact on the Company's previously reported cash flows, revenue or same-store sales, or on the Company's compliance with covenants under its current credit facilities or other debt instruments.

Historically, when accounting for leases with renewal terms, the Company has consistently followed the practice of using the initial lease term for determining whether a lease was a capital lease or operating lease and for calculating straight-line rent. Leased buildings and leasehold improvements on leased properties have been depreciated over a period that included both the initial non-cancelable term of the lease and additional option periods provided for in the lease, or the useful lives of the assets, if shorter.

The Company believed that this accounting treatment was permitted under generally accepted accounting principles ("GAAP") and that such treatment was consistent with the practices of other public companies. Following a review of its lease accounting treatment and relevant accounting literature in consultation with KPMG LLP, its current independent registered public accounting firm, the Company determined that it should: i) conform the depreciable lives for buildings on leased land and other leasehold improvements to the shorter of the economic life of the asset or the lease term used for determining the capital versus operating lease classification and calculating straight-line rent, and ii) include option periods in the depreciable lives assigned to leased buildings and leasehold improvements only in instances in the which the exercise of the option period can be reasonably assured (the "Accounting Treatment").

On February 14, 2005, the Audit and Finance Committee of the Company's Board of Directors, its senior management and its current independent auditors met to discuss the results of the Company's review of its accounting policies, the analysis of its records and the authoritative accounting literature with respect to the treatment of lease accounting and leasehold depreciation and the other matters discussed in this Current Report on Form 8-K. At that meeting, it was determined that the Company's accounting treatment for leasehold improvements should be corrected in accordance with the Accounting Treatment and that the correction should be presented through the restatement of previously issued financial statements for the Company's 2003 and 2002 fiscal years. As a result, the Audit and Finance Committee concluded at that time that the previously issued financial statements covering these periods should no longer be relied upon to the extent of the resulting restatement as further described herein.

The application of the Accounting Treatment resulted in the acceleration of depreciation for certain leasehold improvements. The cumulative balance sheet effect of the restatement related to the Accounting Treatment was an increase in accumulated depreciation of $3.2 million as of December 31, 2003 relating to fiscal years 1998 through 2003. Of this amount, $0.9 million and $0.7 million was recorded as additional depreciation and amortization expense for fiscal years 2003 and 2002, respectively.

The Company also determined it was appropriate to record additional adjustments related to fiscal years 1998 through 2003 which previously were deemed immaterial. The cumulative balance sheet effects of these adjustments as of

December 31, 2003 consist of a decrease in goodwill of $0.2 million, an increase in other long-term assets of $0.9 million, an increase in liability for insurance claims of $1.3 million, and an increase in other noncurrent liabilities and deferred credits of $2.0 million. Of these amounts, $1.3 million was recorded as additional payroll and benefits expense for the year ended December 31, 2003, and $0.3 million was recorded as additional costs of franchise and license revenue for the year ended December 25, 2002.

The impact of the restatement in the fourth quarter of 2003 is to increase the net loss by $2.2 million. The effect of the restatement to all other previously reported interim periods of 2003 and 2004 is not material.

The adjustments noted above are subject to change as the Company's current and former independent registered public accounting firms complete their review of these matters. The Company will amend prior period financial statements through the filing of its Form 10-K with the Securities and Exchange Commission for fiscal year 2004.

The following schedules reflect the adjustments described above:

DENNY'S CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS RESTATED
December 31, 2003
(In thousands)
(Unaudited)

	As Reported
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 7,363
Receivables, less allowance for doubtful accounts of $1,706	9,771
Inventories	8,158
Other	6,326
Total Current Assets	31,618
Property, net	296,995
Other Assets:	
Goodwill	50,404
Intangible assets, net	83,879
Deferred financing costs, net	9,887
Other	26,907
Total Assets	$ 499,690

LIABILITIES

Current Liabilities:	
Current maturities of notes and debentures	$ 51,714
Current maturities of capital lease obligations	3,462
Accounts payable	40,617
Other	96,294
Total Current Liabilities	192,087
Long-Term Liabilities:	
Notes and debentures, less current maturities	509,593
Capital lease obligations, less current maturities	28,728
Liability for insurance claims	25,585
Other noncurrent liabilities and deferred credits	56,629
Total Long-Term Liabilities	620,535
Total Liabilities	812,622
Commitments and contingencies	

SHAREHOLDERS' DEFICIT

Common Stock:	
$0.01 par value; shares authorized -- 100,000; issued and outstanding -- 41,003	410
Paid-in capital	417,816
Deficit	(713,216)
Accumulated other comprehensive loss	(17,942)
Total Shareholders' Deficit	(312,932)
Total Liabilities and Shareholders' Deficit	$ 499,690

DENNY'S CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AS RESTATED
Fiscal Year Ended December 31, 2003
(In thousands, except per share data)
(Unaudited)

	As Reported	Adjustments	Restat
Revenue:			
Company restaurant sales	$ 851,853	$	$ 851
Franchise and license revenue	89,092		89
Total operating revenue	940,945		940

Costs of company restaurant sales:			
Product costs	219,193		219
Payroll and benefits	368,641	1,300	369
Occupancy	49,033		49
Other operating expenses	118,563		118
Total costs of company restaurant sales	755,430	1,300	756
Costs of franchise and license revenue	27,125		27
General and administrative expenses	51,268		51
Depreciation and other amortization	60,000	919	60
Restructuring charges and exit costs	613		
Impairment charges	3,986		3
Gains on disposition of assets and other, net	(5,844)		(5
Total operating costs and expenses	892,578	2,219	894
Operating income	48,367	(2,219)	46
Other expenses:			
Interest expense, net	78,190		78
Other nonoperating expense, net	901		
Total other expenses, net	79,091		79
Loss before income taxes	(30,724)	(2,219)	(32
Provision for income taxes	759		
Net loss	$ (31,483)	$ (2,219)	$ (33
Basic and diluted net loss per share	$ (0.77)		$ (
Basic and diluted weighted average and equivalent shares outstanding	40,687		40

DENNY'S CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AS RESTATED
Fiscal Year Ended December 25, 2002
(In thousands, except per share data)
(Unaudited)

	As Reported	Adjustments	Restat
Revenue:			
Company restaurant sales	$ 858,569	$	$ 858
Franchise and license revenue	90,015		90

Total operating revenue	948,584		948
Costs of company restaurant sales:			
Product costs	205,036		205
Payroll and benefits	361,483		361
Occupancy	49,198		49
Other operating expenses	122,491		122
Total costs of company restaurant sales	738,208		738
Costs of franchise and license revenue	28,576	332	28
General and administrative expenses	50,001		50
Depreciation and other amortization	83,251	735	83
Restructuring charges and exit costs	3,521		3
Impairment charges	4,556		4
Gains on disposition of assets and other, net	(9,127)		(9
Total operating costs and expenses	898,986	1,067	900
Operating income	49,598	(1,067)	48
Other expenses:			
Interest expense, net	76,401		76
Other nonoperating income, net	(32,915)		(32
Total other expenses, net	43,486		43
Income before income taxes	6,112	(1,067)	5
Benefit from income taxes	(1,422)		(1
Income from continuing operations	7,534	(1,067)	6
Discontinued operations:			
Income from operations of discontinued operations, net of income tax benefit -- $3,500	4,040		4
Gain on disposal of discontinued operations, net of income tax provision -- $160	56,562		56
Net income	$ 68,136	$ (1,067)	$ 67
Basic earnings per share:			
Income from continuing operations	$ 0.19		$
Discontinued operations, net	1.50		
Net income	$ 1.69		$
Diluted earnings per share:			
Income from continuing operations	$ 0.19		$
Discontinued operations, net	1.49		
Net income	$ 1.68		$
Weighted average and equivalent shares outstanding:			
Basic	40,270		40
Diluted	40,583		40

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1 -- Press release issued by Denny's Corporation on February 17, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Denny's Corporation

Date: February 17, 2005

/s/ Andrew F. Green

Andrew F. Green
Senior Vice President
and Chief Financial Officer