GROUP 1 AUTOMOTIVE INC
Form 11-K
June 14, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission File Number 001-13461

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

Group 1 Automotive, Inc. 401(k) Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Group 1 Automotive, Inc.

800 Gessner, Suite 500

Houston, Texas 77024

(713) 647-5700

REQUIRED INFORMATION

The following financial statements and reports, which have been prepared pursuant to the requirements of the Employee Retirement Income Security Act of 1974, are filed for the Group 1 Automotive, Inc. 401(k) Savings Plan:

Financial Statements and Supplemental Schedules

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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* All other schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are omitted, as they are not applicable or required.

REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrator of

Group 1 Automotive, Inc. 401(k) Savings Plan

Houston, Texas

We have audited the accompanying statements of net assets available for benefits of the Group 1 Automotive, Inc. 401(k) Savings Plan (the Plan) as of December 31, 2011 and 2010 and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Group 1 Automotive, Inc. 401(k) Savings Plan as of December 31, 2011 and 2010 and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of delinquent participant contributions and supplemental schedule of assets (held at end of year) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ UHY LLP

Houston, Texas

June 14, 2012

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Investments, at fair value		
Interest-bearing cash	$ 12,042,448	$ 12,721,960
Mutual funds	90,816,217	85,570,681
Employer common stock	3,948,542	3,667,572
Total Investments, at fair value	106,807,207	101,960,213
Receivables		
Participant loans	4,749,482	4,528,236
Employer contributions	114,358	38,588
Participant contributions	326,532	212,770
Due from broker for securities sold		127,443
Total Receivables	5,190,372	4,907,037
TOTAL ASSETS	111,997,579	106,867,250
LIABILITIES		
Excess contributions refundable	462,246	225,472
TOTAL LIABILITIES	462,246	225,472
NET ASSETS AVAILABLE FOR BENEFITS	$ 111,535,333	$ 106,641,778

The accompanying notes are an integral part of these financial statements.

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2011

ADDITIONS TO NET ASSETS	
Investment Income:	
Interest and dividends	$ 2,973,907
Total Investment Income	2,973,907
Interest income from particpant loans	195,128
Contributions:	
Employer	2,997,497
Participants	10,841,623
Rollover	3,720,532
Total Contributions	17,559,652
Total Additions To Net Assets	20,728,687
DEDUCTIONS FROM NET ASSETS:	
Net depreciation in fair value of investments	(4,695,555)
Benefits paid to participants	(11,059,973)
Administrative expenses	(79,604)
Total Deductions From Net Assets	(15,835,132)
NET INCREASE IN NET ASSETS	4,893,555
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of Year	106,641,778
End of Year	$ 111,535,333

The accompanying notes are an integral part of these financial statements.

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

(1) DESCRIPTION OF THE PLAN

General Group 1 Automotive, Inc. 401(k) Savings Plan (the Plan) is a defined contribution plan, adopted July 1, 1999, covering all employees of Group 1 Automotive, Inc. (the Company). As of December 31, 2011, a total of 8,685 persons were participants in or beneficiaries of the Plan. The following description of the Plan provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan s provisions.

Administration of the Plan As of November 1, 2010, the Plan appointed Fidelity Management Trust Company (Fidelity or Trustee) as the investment custodian and financial record-keeper for the Plan s participant directed accounts.

Eligibility An employee is eligible to become a participant in the Plan after being credited with 90 days of service and having attained age 18.

Contributions Participants may elect to make pretax contributions to the Plan in an amount up to 50% of their eligible annual compensation. Participant contributions were limited to $16,500 for 2011. This limitation is adjusted periodically to reflect cost-of-living increases as prescribed by the Internal Revenue Service (IRS). Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions ($5,500 for 2011). Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Company may contribute a discretionary amount based on the amount the participant contributes to the Plan. The matching Company contribution may be in the form of cash or shares of Company stock or a combination, but has been historically in cash. Effective August 1, 2011, the Plan was amended to eliminate Company stock as an investment option going forward. Subsequently, the matching Company contribution may only be made in the form of cash. The Board of Directors shall determine, by business unit, whether employer matching contributions will be made for the plan year, the matching percentage, and the percentage of a participant s compensation upon which the match shall be based for each payroll period. For the year ended December 31, 2011, the Company contributed a discretionary matching contribution equal to 50% of each corporate (non-Human Resources Shared Services) and each Sterling McCall Acura participant s contribution limited to 6% of eligible compensation and 50% for each non-corporate participant s contributions limited to 4% of eligible compensation.

Participant Accounts Each participant s account is credited with the participant s contribution and an allocation of the Company s contributions and plan earnings, and at times, charged with an allocation of administrative expenses. Allocations are based on participant contributions, participant earnings or account balances, as defined in the plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Vesting A participant is immediately fully vested with respect to the portion of their account attributable to participant contributions and rollover contributions plus actual earnings thereon. Vesting in the remainder of each participant s account plus earnings thereon is based on years of continuous service as follows:

Years of Service	Vesting Percentage
less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Forfeitures Forfeited employer matching contributions will be used to pay for administrative expenses or to reduce future employer contributions. For the year ended December 31, 2011, forfeitures used to pay for Plan administrative expenses amounted to $35,157. Forfeitures used to reduce employer contributions during 2011 amounted to $253,678. At December 31, 2011 and 2010, forfeited nonvested accounts totaled $132,248 and $356,574, respectively.

Investments Each participant directs the investment of their account into any of the available investment options offered by the Plan, including shares of Company stock. Effective August 1, 2011, no new contributions or exchanges may be made into Company stock.

Loans to Participants Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. Loan transactions are treated as transfers between the investment fund and participant loans receivable. Loan terms range from 1 to 5 years or longer for the purchase of a primary residence. The loans are secured by the balance in the participant s account and bear interest at a rate commensurate with prevailing rates.

Form of Benefits Generally, under the terms of the plan agreement, participants become fully vested in their accounts upon retiring after reaching normal retirement age or becoming partially or totally disabled prior to their retirement date. The participant may elect to have the distribution received in cash or in shares of Company stock. Upon the death of a participant while actively employed, his or her account balance becomes fully vested. A participant terminating employment prior to retirement is entitled to receive that portion of their account which is vested. Benefits are paid as a lump-sum amount as defined in the plan agreement.

In-Service Withdrawals A participant may withdraw from his or her rollover contribution account any or all amounts held in such account, at any time. A participant who has attained age $59^1/_2$ may withdraw from his or her account an amount not exceeding his or her vested account balance. A participant who has suffered financial hardship may withdraw the lesser of his or her vested account balance or the amount of financial hardship as defined in the plan agreement.

Plan Termination The Company has the right under the Plan to terminate the Plan subject to provisions set forth in the Employee Retirement Income Security Act of 1974 and its amendments. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Plan then in effect and shall be used until exhausted to pay benefits to employees in the order of entitlement. In addition, all participants would become fully vested in their accrued benefits, including employer contributions and earnings, as of the date of termination.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as codified by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification.

Use of Estimates The preparation of financial statements in conformity with GAAP requires the plan administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements, the reported amounts of changes in net assets available for benefits and disclosures during the reporting period. Actual results could differ from those estimates. It is at least reasonably possible that a significant change may occur in the near term for the estimates of investment valuation.

Risks and Uncertainties The Plan provides for several investment options, which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants account balances and the net assets available for benefits.

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Valuation of Investments Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net unrealized appreciation or depreciation is included in the carrying value of related investments in the Statements of Net Assets Available for Benefits and the changes in the net unrealized appreciation or depreciation are reflected in the Statement of Changes in Net Assets Available for Benefits. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan s investment in common stocks and mutual funds are stated at fair value and are based upon quoted market prices. Investment in the Company s common stock are valued at fair value and based on quoted market prices.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures* (Topic 820) *Improving Disclosures about Fair Value Measurements*. This ASU requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Other than requiring additional disclosures, the adoption of this new guidance has not and will not have a material impact on the Plan s financial statements.

In September 2010, the FASB issued ASU No. 2010-25, *Plan Accounting Defined Contribution Pension Plans* (Topic 962) *Reporting Loans to Participants by Defined Contribution Pension Plans*. This ASU requires participant loans to be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The guidance is effective for fiscal years ending after December 15, 2010 with early adoption permitted. The guidance must be applied retrospectively to all periods presented. The Plan adopted this guidance in 2010 and reclassified participant loans from plan investments to a component of receivables presented in the Statements of Net Assets Available for Benefits. Other than the reclassification requirements, the adoption of this standard did not have a material impact on the Plan s financial statements.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-04). ASU 2011-04 amended the FASB Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan will adopt ASU 2011-04 upon its effective date of January 1, 2012. The plan administrator does not expect the adoption of ASU 2011-04 to have a material effect on the Plan s financial statements.

Payment of Benefits Benefits are recorded when paid.

Administrative Expenses Fees and expenses incurred in the administration of the Plan are charged to and paid from the Plan s assets to the extent not paid by the Company.

Subsequent Events No subsequent events occurred, which required adjustment or disclosure to the financial statements at December 31, 2011.

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

(3) INVESTMENTS

The following investments at December 31, 2011 and 2010 are recorded at fair market value. Investments noted with an asterisk represent 5% or more of the Plan s net assets at December 31, 2011 and 2010, respectively:

	2011	2010
Interest-Bearing Cash		
Fidelity Retirement Money Market Fund	$ 12,042,448*	$ 12,721,960*
Mutual Funds		
American Funds Growth Fund of America	6,728,117*	7,140,853*
Fidelity Freedom 2020 Fund	8,454,051*	6,951,545*
Fidelity Freedom 2025 Fund	8,549,519*	8,234,436*
Fidelity Freedom 2030 Fund	7,621,237*	7,137,928*
Fidelity Freedom 2035 Fund	7,105,981*	7,116,551*
Allianz NFJ Small-Cap Value Fund	6,681,566*	6,568,799*
American Funds Europacific Growth Fund	5,262,787	6,021,554*
Other Investments Less Than 5% of Plan Assets	44,361,501	40,066,587
	$ 106,807,207	$ 101,960,213

During 2011, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated)/appreciated in value as follows:

Mutual Funds	$ (5,501,968)
Group 1 Automotive, Inc. Common Stock	806,413
	$ (4,695,555)

(4) FAIR VALUE DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The FASB provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These inputs are summarized in the three broad levels listed below:

<u>Level 1</u> Unadjusted quoted prices for identical financial instruments in active markets that the Plan has the ability to access.

<u>Level 2</u> Other significant observable inputs (including quoted prices in active or inactive markets for similar financial instruments), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

<u>Level 3</u> Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques,

as well as instruments for which the determination of fair value requires significant management judgment or estimation.

GROUP 1 AUTOMOTIVE, INC. 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

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Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used during 2011 and 2010.

Interest Bearing Cash, Mutual Funds and Common Stock

The Plan maintains investments in multiple mutual funds, interest bearing cash and the Company s common stock. The Plan determined that the valuation measurement inputs of the mutual funds, interest bearing cash, and the Company s stock represents unadjusted quoted prices in active markets. Accordingly, the Plan has classified these investments within Level 1 of the fair value hierarchy framework.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation technique is appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investments are categorized as follows at December 31, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash				
Money Market Funds	$ 12,042,448	$	$	$ 12,042,448
Mutual Funds				
Large Cap Equity Funds	17,265,835			17,265,835
International Equity Funds	6,416,438			6,416,438
Fixed Income Funds	5,301,734			5,301,734
Small Cap Equity Funds	7,011,294			7,011,294
Mid Cap Equity Funds	2,633,472			2,633,472
Balanced Funds	52,187,444			52,187,444
Employer Common Stock	3,948,542			3,948,542
Total Investments at Fair Value	$ 106,807,207	$	$	$ 106,807,207

	2010			
	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash				
Money Market Funds	$ 12,721,960	$	$	$ 12,721,960
Mutual Funds				
Large Cap Equity Funds	16,697,450			16,697,450
International Equity Funds	7,033,264			7,033,264
Fixed Income Funds	3,790,377			3,790,377
Small Cap Equity Funds	6,952,270			6,952,270
Mid Cap Equity Funds	2,375,227			2,375,227
Balanced Funds	48,722,093			