

Registered Number OC364574

AQR CAPITAL MANAGEMENT (EUROPE) LLP
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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AQR CAPITAL MANAGEMENT (EUROPE) LLP
DESIGNATED MEMBERS AND ADVISERS
YEAR ENDED 31 DECEMBER 2017

Designated members	S A Richardson AQR Capital Management (UK Services) Limited
Members	A Ilmanen
Registered number	OC364574
Registered office	Suite 1, 3rd Floor 11-12 St. James's Square London United Kingdom SW1Y 4LB
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB

AQR CAPITAL MANAGEMENT (EUROPE) LLP
MEMBERS' REPORT
YEAR ENDED 31 DECEMBER 2017

The members present their report and the financial statements of AQR Capital Management (Europe) LLP (the "LLP") for the year ended 31 December 2017.

Principal activities and business review

The principal activities of the LLP during the year were investment marketing, investor relations services and research performed for AQR Capital Management, LLC ("AQR US"), its indirect parent, as well as serving as an Alternative Investment Fund Manager ("AIFM") for certain funds in accordance with the requirements of the Alternative Investment Fund Manager Directive. The LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

The LLP's turnover is principally from management fees earned from certain funds for which it acts as the AIFM as well as from revenue earned pursuant to a cost plus transfer pricing arrangement ("Transfer Pricing") with AQR US.

The turnover in the year increased from £13,259,550 in 2016 to £19,062,973 in 2017. The increase in turnover principally reflects higher management fees earned, offsetting the lower revenues from Transfer Pricing. The funds for which the LLP serves as the AIFM have grown significantly year over year, resulting in the higher management fees earned in 2017. Given the growth of the funds, £7,500,000 of additional capital was contributed to the LLP in 2017 to meet the LLP's expected regulatory capital requirements in the forthcoming year.

Principal risks and uncertainties

The members of the LLP assess the main risks and uncertainties for the forthcoming year as follows:

- The LLP's revenue base is concentrated. Economic difficulties at AQR US and the funds it manages, sourcing from poor investment results or other events, could expose the LLP to credit risk.
- The LLP could be adversely affected by regulatory compliance failures or changes in laws and regulations applicable to its business.
- While there is currently substantial uncertainty of the full impact of Brexit on the LLP, it has formulated a contingency plan so that its relevant business activities within the European Union are maintained to the extent possible.

Results for the year and allocation to members

The profit for the year available for distribution to members was £5,865,657 (2016: £4,599,104).

Designated members

The following were designated members during the year:

S A Richardson
AQR Capital Management (UK Services) Limited

Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members

Members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set in each financial year, taking into account the anticipated cash needs of the LLP.

Any profits are shared among the members under the terms of the Limited Liability Partnership Agreement, dated 15 July 2014, and related amendments ("LLP Agreement").

Each member's subscription to the capital of the LLP is determined by the LLP Agreement. The members have no rights, directly or indirectly, to withdraw or receive back any part of the amount

AQR CAPITAL MANAGEMENT (EUROPE) LLP
MEMBERS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2017

standing to the credit of their capital contribution account, except with the consent of the management committee.

Any member may contribute further capital to the LLP by agreement with the management committee.

Auditor

RSM UK Audit LLP has indicated their willingness to be reappointed for another term.

Statement of disclosure to auditors

So far as the members are aware, there is no relevant audit information of which the auditor is unaware. Additionally, the members have taken all the necessary steps that they ought to have taken as members in order to make themselves aware of all relevant audit information and to establish that the LLP's auditor is aware of that information.

Signed on behalf of the members



S A Richardson
Designated member

Approved by the members on 20 April 2018

AQR CAPITAL MANAGEMENT (EUROPE) LLP
MEMBERS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under the 2008 Regulations, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period.

In preparing those financial statements, the members are required to:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

Under the 2008 Regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and to enable them to ensure that the financial statements comply with the requirements of those Regulations. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the partnership's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the designated members on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQR CAPITAL MANAGEMENT (EUROPE) LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQR CAPITAL (EUROPE) LLP

Opinion

We have audited the financial statements of AQR Capital Management (Europe) LLP (the 'limited liability partnership') for the year ended 31 December 2017 which comprise statement of comprehensive income, statement of financial position, reconciliation of members' interest, statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQR CAPITAL MANAGEMENT (EUROPE) LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm G Pirouet

Malcolm Pirouet (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

25 April 2018

AQR CAPITAL MANAGEMENT (EUROPE) LLP
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2017

		2017	2016
	Note	£	£
Turnover	3	19,062,973	13,259,550
Administrative expenses		<u>(13,197,316)</u>	<u>(8,660,099)</u>
Operating profit	4	5,865,657	4,599,451
Interest payable and similar charges		<u>-</u>	<u>(347)</u>
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		<u>5,865,657</u>	<u>4,599,104</u>
Total comprehensive income		<u><u>5,865,657</u></u>	<u><u>4,599,104</u></u>

The notes on pages 11 to 21 form part of these financial statements.

AQR CAPITAL MANAGEMENT (EUROPE) LLP*Registered Number OC364574***STATEMENT OF FINANCIAL POSITION****31 DECEMBER 2017**

		2017	2016
	Note	£	£
Fixed assets			
Tangible assets	6	1,877,711	819,785
Investments	7	9,613	9,613
		<u>1,887,324</u>	<u>829,398</u>
Current assets			
Debtors	8	2,752,193	3,464,988
Cash at bank and in hand		16,158,133	5,777,737
		<u>18,910,326</u>	<u>9,242,725</u>
Creditors: Amounts falling due within one year	9	<u>(4,719,180)</u>	<u>(2,705,165)</u>
Net current assets		<u>14,191,146</u>	<u>6,537,560</u>
Total assets less current liabilities		<u>16,078,470</u>	<u>7,366,958</u>
Net assets attributable to members		<u>16,078,470</u>	<u>7,366,958</u>
Represented by:			
Loans and other debts due to members			
Other amounts	16	7,234,470	6,022,958
Members' other interests			
Members' capital classified as equity		8,844,000	1,344,000
		<u>16,078,470</u>	<u>7,366,958</u>
Total members' interests			
Loans and other debts due to members	16	7,234,470	6,022,958
Members' other interests		8,844,000	1,344,000
		<u>16,078,470</u>	<u>7,366,958</u>

The financial statements on pages 7 to 21 were approved by the members and authorised for issue on 20 April 2018 and are signed on their behalf by:



S A Richardson
Designated member

The notes on pages 11 to 21 form part of these financial statements.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
RECONCILIATION OF MEMBERS' INTERESTS
31 DECEMBER 2017

	EQUITY			DEBT	TOTAL MEMBERS' INTERESTS
	Members' other interests				
	Members' capital (classified as equity)	Other reserves	Total	Other debts due to members	Total
	£	£	£	£	£
Balance at 1 January 2017	1,344,000	-	1,344,000	6,022,958	7,366,958
Profit for the financial year available for discretionary division amongst members	-	5,865,657	5,865,657	-	5,865,657
Members' interest after profit for the year	1,344,000	5,865,657	7,209,657	6,022,958	13,232,615
Other division of profits	-	(5,865,657)	(5,865,657)	5,865,657	-
Contributions by members	7,500,000	-	7,500,000	-	7,500,000
Drawings	-	-	-	(4,654,145)	(4,654,145)
Balance at 31 December 2017	8,844,000	-	8,844,000	7,234,470	16,078,470

	EQUITY			DEBT	TOTAL MEMBERS' INTERESTS
	Members' other interests				
	Members' capital (classified as equity)	Other reserves	Total	Other debts due to members	Total
	£	£	£	£	£
Balance at 1 January 2016	1,344,000	-	1,344,000	4,251,487	5,595,487
Profit for the financial year available for discretionary division amongst members	-	4,599,104	4,599,104	-	4,599,104
Members' interest after profit for the year	1,344,000	4,599,104	5,943,104	4,251,487	10,194,591
Other division of profits	-	(4,599,104)	(4,599,104)	4,599,104	-
Drawings	-	-	-	(2,827,633)	(2,827,633)
Balance at 31 December 2016	1,344,000	-	1,344,000	6,022,958	7,366,958

The notes on pages 11 to 21 form part of these financial statements.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Transactions with non-members:			
Cash generated from operations	18	9,183,857	6,425,583
Net cash from (used in) operating activities		9,183,857	6,425,583
Investing activities			
Transactions with non-members:			
Purchase of tangible fixed assets		(1,697,166)	(138,611)
Proceeds from disposal of fixed assets		47,850	-
Interest paid		-	(347)
Net cash from (used in) investing activities		(1,649,316)	(138,958)
Financing activities			
Transactions with members:			
Contributions by members		7,500,000	-
Drawings		(4,654,145)	(2,827,633)
Net cash from (used in) financing activities		2,845,855	(2,827,633)
Net increase (decrease) in cash and cash equivalents		10,380,396	3,458,992
Cash and cash equivalents at beginning of year		5,777,737	2,318,745
Cash and cash equivalents at end of year		16,158,133	5,777,737

The notes on pages 11 to 21 form part of these financial statements.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

General information

AQR Capital Management (Europe) LLP (the "LLP") has prepared financial statements covering the entity's results for the year ended 31 December 2017.

The LLP is a limited liability partnership, formed in the United Kingdom, and registered in England and Wales. The address of the LLP's registered office is presented on page 1 of these financial statements under Designated Members and Advisers.

The principal activities of the LLP are disclosed in the Members' Report.

Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" published July 2014.

These financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" published July 2014.

Consolidation

The LLP was, at the end of the year, a subsidiary of another company incorporated in the European Economic Area and, in accordance with Section 400 of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2001, is not required to produce, and has not published, consolidated accounts.

Reduced disclosures

In accordance with FRS 102, the LLP has taken advantage of the exemptions from the requirement under Section 33 'Related Party Disclosures' to disclose the compensation for key management personnel.

The financial statements of the LLP are consolidated in the financial statements of AQR Capital Management (UK Services) Limited. The consolidated financial statements of AQR Capital Management (UK Services) Limited will be available from Companies House, 4 Abbey Orchard St, London SW1P 2HT.

Going concern

The LLP has net current assets and net assets and is trading profitably. The members expect the LLP to be able to continue to trade profitably and to generate net cash and therefore consider it appropriate to prepare the financial statements on a going concern basis.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the LLP. Monetary amounts in these financial statements are rounded to the nearest £.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Turnover

The turnover shown in the profit and loss account represents the value of all services provided during the period net of Value Added Tax. Income in relation to investment management services is recognised in the period during which the related services are performed.

Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Leasehold property	- lesser of useful life or the term of the lease
Equipment	- 3 years straight line
Fixtures and fittings	- 7 years straight line

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life. At each reporting end date, the LLP reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Leases

All leases are operating leases and annual rentals are charged to the profit or loss on a straight line basis over the period of the lease.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight-line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Financial instruments

The LLP has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the LLP becomes a party to the contractual provisions of the instrument, and are offset only when the LLP currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into.

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense and presented as members remuneration charged as an expense in arriving at the result for the relevant year. To the extent that they remain unpaid at the period end, they are shown as liabilities.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in arriving at the result for the year and are shown as appropriations of equity when they are allocated.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'.

Retirement benefits

The LLP operates a defined contribution pension scheme and the pension charge represents the amounts payable by the LLP to the fund in respect of the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The assets of the scheme are held separately from those of the LLP in an independently administered fund.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Taxation

The taxation payable on the partnership profits is solely the liability of the members consequently neither partnership taxation nor related deferred taxation arising in respect of the partnership are accounted for in these financial statements.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The expected useful life of a fixed asset is estimated upon purchase to provide a period over which the cost of the item shall be recognised in the profit or loss, and therefore match with the economic benefit provided by the asset.

Residual values are estimated based on current market prices and take into account the expected age and condition of the asset at the end of its useful life.

Critical areas of judgement

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the LLP as lessee.

3. Turnover

The turnover and profit before tax are primarily attributable to the principal activities of the LLP as disclosed in the Members' Report. An analysis of the LLP's turnover is as follows:

	2017	2016
	£	£
Sale of services	<u>19,062,973</u>	<u>13,259,550</u>

An analysis of the geographical location of the LLP's turnover is as follows:

	2017	2016
	£	£
North America	7,492,229	11,586,288
Europe	<u>11,570,744</u>	<u>1,673,262</u>
Total	<u>19,062,973</u>	<u>13,259,550</u>

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. Operating profit

Operating profit is stated after charging (crediting):

	2017	2016
	£	£
Depreciation of owned fixed assets	560,208	312,770
(Gain) loss on sale and exchange of fixed assets	31,182	-
Operating lease costs:		
- Property	665,446	390,872
Net (profit) loss on foreign currency translation	(1,475)	(638)
Auditor's remuneration - audit of the financial statements	15,500	14,500
Auditor's remuneration - other fees	<u>176,158</u>	<u>65,289</u>
	2017	2016
	£	£
Auditor's remuneration - audit of the financial statements	<u>15,500</u>	<u>14,500</u>
Auditor's remuneration - other fees:		
- Taxation	55,325	21,120
- Other services	<u>120,833</u>	<u>44,169</u>
	<u>176,158</u>	<u>65,289</u>

5. Employees

The average number of persons (excluding members) employed by the LLP during the year was:

	2017	2016
	No	No
Number of operations staff	28	16
Number of administrative staff	<u>3</u>	<u>2</u>
	<u>31</u>	<u>18</u>

Staff costs for the above persons:

	2017	2016
	£	£
Wages and salaries	7,758,773	5,092,395
Social security costs	842,944	626,265
Other pension costs	<u>165,849</u>	<u>94,250</u>
	<u>8,767,566</u>	<u>5,812,910</u>

AQR CAPITAL MANAGEMENT (EUROPE) LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6. Tangible fixed assets

	Leasehold Property £	Fixtures & Fittings £	Equipment £	Total £
Cost				
At 1 January 2017	759,447	382,231	456,231	1,597,909
Additions	652,667	659,180	385,319	1,697,166
Disposals	(186,866)	(21,000)	(99,538)	(307,404)
At 31 December 2017	<u>1,225,248</u>	<u>1,020,411</u>	<u>742,012</u>	<u>2,987,671</u>
Depreciation				
At 1 January 2017	463,156	92,392	222,576	778,124
Charge for the year	248,463	104,689	207,056	560,208
Disposals	(186,866)	(1,100)	(40,406)	(228,372)
At 31 December 2017	<u>524,753</u>	<u>195,981</u>	<u>389,226</u>	<u>1,109,960</u>
Net book value				
At 31 December 2017	<u>700,495</u>	<u>824,430</u>	<u>352,786</u>	<u>1,877,711</u>
At 31 December 2016	<u>296,291</u>	<u>289,839</u>	<u>233,655</u>	<u>819,785</u>

7. Investments

Subsidiary company

	£
Cost	
At 31 December 2017 and 31 December 2016	<u>9,613</u>
Net book value	
At 31 December 2017 and 31 December 2016	<u>9,613</u>

At the balance sheet date the LLP holds 100% of the share capital in the following entity.

Subsidiary undertaking	Registered Office	Proportion of voting rights and shares held	Nature of business
AQR Capital Management (DK Service) ApS	Knud Højgaards Vej 9 2860 Søborg Denmark	Ordinary 100 shares	Provision of product support and development

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8. Debtors

	2017	2016
	£	£
Trade debtors	981,749	82,866
Amounts owed by group undertakings	974,196	2,736,838
VAT recoverable	73,149	84,344
Other debtors	429,513	440,131
Prepayments and accrued income	293,586	120,809
	<u>2,752,193</u>	<u>3,464,988</u>

The debtors above include the following amounts falling due after more than one year:

	2017	2016
	£	£
Other debtors	<u>408,173</u>	<u>410,723</u>

Other debtors falling due after more than one year relates to a rent security deposit.

9. Creditors: Amounts falling due within one year

	2017	2016
	£	£
PAYE and social security	600,618	367,691
Accruals and deferred income	4,118,562	2,337,474
	<u>4,719,180</u>	<u>2,705,165</u>

10. Retirement benefits schemes

The LLP makes contributions to certain employees' pension plans and the charge in the profit or loss represents the amounts payable by the LLP to the pension plans in respect of the year amounts to £165,849 (2016: £94,250). Contributions outstanding at the year-end amount to £20,308 (2016: £15,193).

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11. Financial instruments

	2017	2016
	£	£
Carrying amount of financial assets		
Measured at amortised cost		
- Debtors	<u>2,385,458</u>	<u>3,259,836</u>
Carrying amount of financial liabilities		
Measured at amortised cost		
- Creditors	<u>4,075,928</u>	<u>2,268,052</u>

12. Commitments under operating leases

At the reporting end date, the LLP had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2017	Land and buildings 2016
	£	£
Amounts due:		
Within one year	680,289	680,289
Between one and five years	2,382,023	2,711,101
After five years	<u>944,369</u>	<u>1,295,473</u>
	<u>4,006,681</u>	<u>4,686,863</u>

13. Risk management

Pillar 3 disclosures

The Pillar 3 disclosures set out in this report are made in accordance with the requirements of Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). Specifically, it covers the LLP's risk management objectives and policies; the processes for managing material risks; and the policies for mitigating risk. These disclosures are required to be made at least annually.

The principal risks of the LLP are as follows:

Credit and Concentration Risk

The LLP is exposed to credit risk directly via its Transfer Pricing with AQR US and via its Investment Advisory Agreement with certain funds in which it acts as the AIFM. The LLP manages the credit risk with quarterly reviews of AQR US's financial position, short settlement cycles of the receivable balances and the use of a custodian for safekeeping of fund assets.

Liquidity Risk

The LLP is exposed to liquidity risk via its relationship with AQR US. If AQR US were to experience financial hardship and be unable to settle its obligation to the LLP, the LLP may experience difficulty in meeting its own obligations. The LLP manages this risk with quarterly reviews of AQR US's financial position.

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Regulatory Risk

The LLP is exposed to regulatory risk as it is a member of, and subject to, the rules of the Financial Conduct Authority ("FCA"). The LLP ensures that these requirements are met by employing qualified compliance and legal personnel and by using external consulting where necessary.

14. Capital management

The LLP's objective when managing capital is to safeguard the LLP's ability to continue as a going concern and maintain an optimal capital structure to operate its business effectively.

The above objectives must be achieved in accordance with guidelines set by the FCA, the regulator of the LLP. The FCA sets out the requirements for the LLP in respect of the minimum level of regulatory capital, as defined, it must hold at any point. The LLP was in compliance with the regulatory capital requirements set by the FCA throughout the period.

In accordance with FCA regulatory capital purposes, the LLP defines regulatory capital as being members' capital classified as equity, including loans and other debts due to members. Management monitors the level of regulatory capital as compared to the LLP's FCA requirements and injects new capital as required.

The LLP's regulatory capital is analysed as follows:

Tier 1 capital

Tier 1 capital is the core measure of the LLP's financial strength from a regulator's point of view. It consists of members' capital classified as equity, including loans and other debts due to members. The LLP does not have incremental Tier 2 or Tier 3 capital.

The LLP's regulatory capital is set out below:

	2017	2016
	£	£
Members' capital classified as equity	8,844,000	1,344,000
Loans and other debts due to members	6,022,958	4,251,487
Total Tier 1 capital	<u>14,866,958</u>	<u>5,595,487</u>

As of 31 December 2017 and 2016, the LLP had £9,328,000 and £3,221,000 in surplus of own funds, respectively, for the purposes of the FCA's own funds regulatory capital test.

15. Related party transactions

The LLP has taken advantage of the exemption in FRS 102 (33.1A) from the requirement to disclose transactions with wholly owned subsidiaries with the group headed by AQR US.

16. Loans and other debts due to members

	2017	2016
	£	£
Amounts owed to members in respect of profits	<u>7,234,470</u>	<u>6,022,958</u>

During the year, £4,654,145 (2016: £2,827,633) was withdrawn as drawings by members of the LLP.

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In the event of dissolution, loans and other debts due to members are subordinate to debts due to ordinary creditors.

17. Information in relation to members

	2017	2016
The average number of members during the year was	<u>3</u>	<u>3</u>
	£	£
Profit attributable to the member with the highest entitlement	<u>2,283,756</u>	<u>1,877,910</u>

18. Reconciliation of profit to net cash generated from (used in) operations

	2017	2016
	£	£
Operating profit for the year	5,865,657	4,599,451
Adjustments for:		
(Gain) loss on sale and exchange of fixed assets	31,182	-
Depreciation	<u>560,208</u>	<u>312,770</u>
Operating cash flows before movements in working	<u>6,457,047</u>	<u>4,912,221</u>
Decrease (increase) in trade and other debtors	712,795	820,872
(Decrease) increase in trade and other creditors	<u>2,014,015</u>	<u>692,490</u>
	<u>9,183,857</u>	<u>6,425,583</u>

19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2016: £155,434).

20. Ultimate parent company and ultimate controlling party

The LLP's ultimate parent undertaking is AQR Capital Management Group GP, LLC, a limited liability company formed in the United States of America.

The LLP's immediate parent undertaking is AQR Capital Management (UK Services) Limited by virtue of its 98% voting interest in the LLP.

The smallest group in which the results of the LLP are consolidated is that headed by AQR Capital Management (UK Services) Limited and the largest group in which the results of the LLP are consolidated is that headed by AQR Capital Management Group LP, a partnership formed in Delaware, United States of America.

In the opinion of the members there is no ultimate controlling party.