

When people are hugely wealthy, it is usually apparent how they made their fortune. With Adnan Khashoggi it was arms dealing;

with Paul Raymond it was sex; and with the Duke of Westminster it is property. But occasionally a mysterious figure appears on the Rich Lists even though the source of their wealth is far from clear. In recent years the most intriguing billionaire in this category has been Professor Nasser David Khalili, an Iranian Jewish art dealer based in Mayfair, who possesses one of the world's finest Islamic art collections, and once owned London's biggest and most expensive house at 18-19 Kensington Palace Gardens.

In 2007, the enigmatic Khalili suddenly emerged on the lists as Britain's fifth richest person with an estimated wealth of £5.8 billion. Art experts were incredulous. 'Even if you take a high estimate for the Khalili collection and then double it, you still wouldn't reach a value of £1 billion,' one art dealer told *The Art Newspaper*. Another leading London dealer, who worked with Khalili in the Seventies, added: 'The valuation is ridiculous. The collection could be worth £200 million, even £500 million, but not more. It's bad for the market and it's bad for collectors to have such an inaccurate price put on it. How can they compare him with the Duke of Westminster, for example? It's absurd.' The late Jasim Al Homaizi, a scholarly Kuwaiti collector, said: 'It is a good collection but it is not worth £1 billion. Much of it comprises old documents that are historically important but not of huge value.'

Last year the affable and understated Iranian was again listed as one of Britain's wealthiest people, with a valuation of £2.5 billion. Again *The Art Newspaper* questioned the assessment. A dealer told them that even though the Islamic art market is 'hotter than ever, £2 billion is still high'. The newspaper suggested that 'a £1 billion valuation is believed more likely'.

Earlier this month David Khalili hit the headlines when he was sued by Malaysian businessman

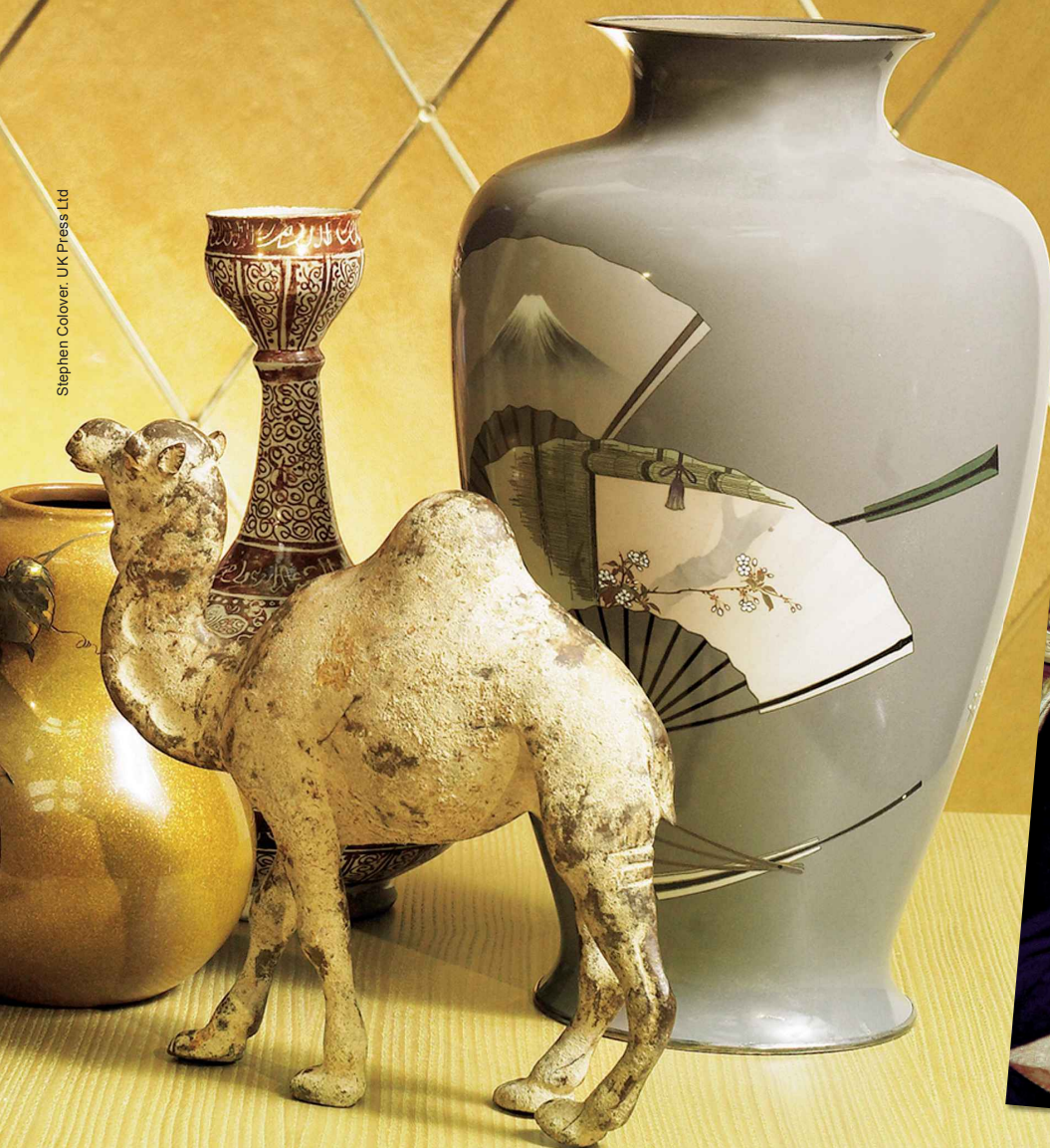
David Khalili with some of his treasures, March 2008



The treasure seeker

To the astonishment of his peers, an unassuming Iranian art dealer has somehow built up a personal fortune of £2.5 billion. Is David Khalili a genius or merely the agent of some of the world's biggest spenders? **Mark Hollingsworth** investigates

Stephen Colover, UK Press Ltd



Dato Osman. In 2001, Khalili decided to sell 18-19 Kensington Palace Gardens. The asking price was £85 million and Formula One boss Bernie Ecclestone was so captivated by the house that he began negotiations, despite his now ex-wife Slavica having grave reservations. Dato Osman, who describes himself as working in 'banking, brokerage and construction', alleges that he introduced Khalili to Bernie Ecclestone at The Dorchester. Ecclestone eventually bought the property for £50 million. But he never moved in because his wife refused to live there. Instead, he sold it to Indian tycoon Lakshmi Mittal for £57.1 million. However, Osman claimed that Khalili had promised to pay him a commission – still unpaid. He prepared to sue Khalili's firm for £3.46 million – £2 million for lost commission plus interest – at the High Court. In defence papers, Khalili insisted Mr Osman 'was not a professional estate agent' and that he had only agreed to pay commission if the sale were for more than £85 million. The parties eventually settled out of court on 2 March. Lawyers for Khalili said: 'By agreement the claim was dismissed with no order as to cost.'

David Khalili comes from a family of Jewish art dealers who left Iran when the Shah was overthrown in 1979. Since his arrival in London he has cultivated powerful friends in the British establishment, notably Lord Young, the former Trade and Industry Secretary in the Thatcher government; Lord Levy, Labour's former chief fundraiser; Lord Bell, the former media guru to Lady Thatcher; and the disgraced Lady Porter, former leader of Westminster City Council.

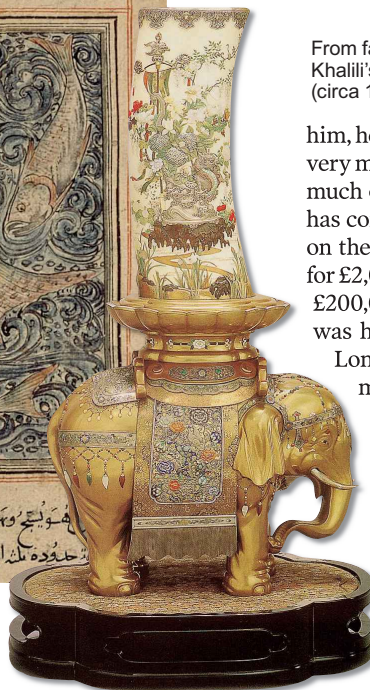
Khalili was born on 18 December 1945 in Esfahan, Iran's second largest city, where his parents traded in carpets and artefacts. From the →



The Sultan of Brunei is believed to be one of Khalili's benefactors



From far left: *Jonah and the Whale* (1314-1315) from Khalili's Islamic collection; one of a pair of tusk vases (circa 1885) from his Japanese collection



him, he had a little operation in Mayfair and he was very much junior league.' But his defenders say that much of the increase in the value of his collection has come from buying items discreetly and sitting on them. His friends say that he would buy items for £2,000 which, over a long period, appreciated to £200,000. 'People did not always realise that it was him doing the buying,' said Michael Spin, a London art dealer who has known Khalili for many years.

When asked about his elevation, Khalili said that he made his money from sugar and coffee trading, the options market, property investments and, of course, works of art. But it was all rather vague. At the time, he said that he was buying for the Nour Foundation. Ironically *nour* means 'light' in Persian, but its ownership was far from transparent: its directors were three Swiss lawyers, while Khalili was listed as an advisor. Later Khalili confirmed that he

was the owner of the foundation – a Swiss company owned by the Khalili Family Trust. This trust, according to Khalili, was settled by his father and registered in Liechtenstein.

The consensus among art dealers was that Khalili's benefactor was the Sultan of Brunei. While he accepts that he has advised the Sultan of Brunei, Khalili strongly denies receiving any money from the ruler. The Sultan has never commented on his relationship with the art dealer.

Despite the mystery surrounding the source of his wealth, Khalili was acquiring thousands of works of Islamic art. At the height of his spending spree in the mid-Eighties, he was buying 20 pieces a week. 'Money is just paper,' he said. 'My loyalty is to the objects.'

The crown jewel was the 'universal history' of Rashid al-Din, produced in Iran in 1314. It is considered the finest medieval manuscript ever produced in the East or West, and the most expensive ever sold, although the price has never been revealed. Its probable value, according to Khalili, 'is £100 million'.

The collection's Koran manuscripts stretch from the first century of Islam until the late 19th century. Almost every type and subtype of script categories are represented, often in rare complete manuscripts. Among them is a one-line fragment of a giant copy of the Koran, written for Timur Leng by the calligrapher Umar Aqta. The story goes that, in trying to impress the great Timur, Umar produced a copy of the Koran so small that it could slip beneath the signet ring of the great ruler. When Timur remained unimpressed, Umar went away and produced another copy. This one was so huge that it had to be wheeled into court on a cart. Khalili also owns a collection of 2,000 Meiji period Japanese decorative arts and other artefacts from Spain and Sweden. 'The collection is like a symphony,' he said last year. 'Every object has its note and the combination of them all makes the

age of eight, he accompanied his father on buying expeditions. 'We purchased ordinary things like Persian lacquer,' he recalled. 'Dealing in art and collecting is our family tradition; it was only natural that I should follow in my father's and grandfather's footsteps.' His family were comfortably off but he did not inherit great wealth, although this conflicts with his later claims that he made his money through investing his family money.

A precocious child, at 14 he had a row with a teacher and, to prove a point, wrote a book about geniuses of the world. It was published, made him a young celebrity and he began dreaming of owning a famous art collection. In 1967, Khalili moved to New York to take a degree in computer science, with barely \$700 in his pocket, the royalties from his book. He was awarded American citizenship (despite also having British nationality, he still travels on his American passport) and to make money he traded in property, commodities and art.

In the mid-Seventies, Khalili began visiting Sotheby's, Phillips and Christie's regularly and set up his own Mayfair operation focusing originally on lacquerware items. He was helped and advised by Mehdi Mahboubian, the leading Jewish Iranian art dealer of that time and a former advisor to the Shah of Iran, who gave him minor items to sell. Funded by his property investments in the US, he began to collect. But unlike most dealers, he hated parting with his finest pieces.

Khalili was now set on acquiring the most prestigious permanent Islamic art collection in the UK. He moved into an apartment in Kensington Heights on Campden Hill Road in Kensington. Then, in the summer of 1978, while buying a gift in a jewellery shop on Bond Street, he became captivated by one of the assistants, a 21-year-old English girl called Marion Easton, from Stanmore, Middlesex. 'I said to myself: "If she is Jewish and unmarried, I will marry her,"' he said later. Within three months they were wed at the Western Marble Arch Synagogue and his wife began to work for him at his gallery. The couple have

three sons who all live in Kensington.

In 1981, Khalili bought a flat in Eaton Square for £400,000, which he refurbished and sold for a £500,000 profit. By now he was regarded as a successful but not especially wealthy art dealer. Based in Clifford Street and then Bond Street, he took advantage of low prices immediately after the Iranian revolution and kept buying. He compared the rich supply from wealthy Persian refugees after the fall of the Shah with the collecting opportunities thrown up by the French Revolution. During the Iran-Iraq War of the Eighties he bought shrewdly when there was little competition from the Islamic world.

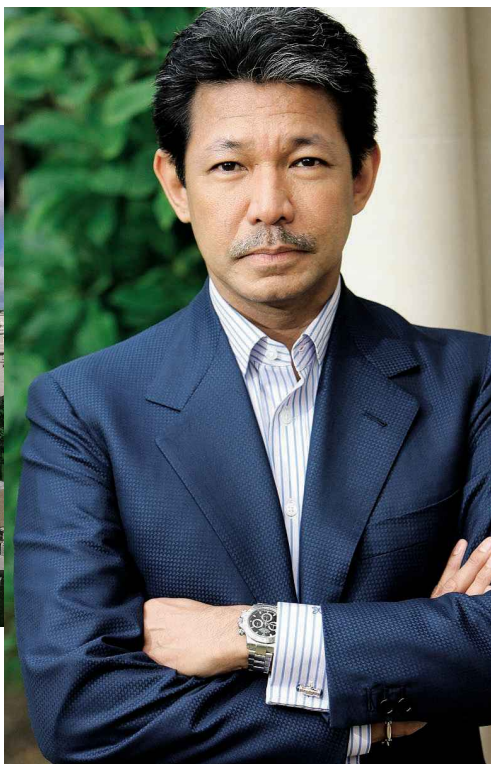
Then, in 1985, Khalili's fortunes were transformed. He began turning up at Islamic art auctions at Christie's with an apparently limitless budget. Suddenly he was acquiring Islamic art at record prices and in greater quantities. Fellow dealers looked on amazed as he spent £200 million over a short period of time. His lifestyle reflected his new-found wealth: he bought an imposing mansion on The Bishops Avenue in Hampstead, with no mortgage, and another house on nearby Ingram Avenue. He also started driving a Bentley with a personalised numberplate.

Fellow dealers looked on amazed as he spent £200 million



The source of Khalili's wealth mystified London art dealers who believed that he was representing the interests of multibillionaire foreign rulers. 'That's why they call him the Secret Sultan; nobody knows how he managed to put together such an incredible collection,' said one well-informed dealer. 'When I first knew of

With wife Marion at an exhibition in London in 2004



From far left: 18-19 Kensington Palace Gardens, Khalili's former home; Prince Jefri of Brunei, once a rumoured buyer for the mansion

music. There is not much point just having the lead violin and the piano.'

By 1992, Khalili felt secure enough to emerge into the public arena and cultivate the British establishment. He hired Lord Bell as his communications advisor and, that October, lent the beleaguered Conservative government his collection, which he said was valued at £1 billion for insurance purposes. He made the offer on the understanding that, if all went well, the loan would be converted into a gift after 15 years. A reception was organised at the Foreign Office by Lord Young, chairman of the Nour Foundation. Khalili was ecstatic about the event. 'We had 47 Lords and Sirs. We had 40 ambassadors, Edwina Currie [then Health Minister] and Kenneth Clarke [then Home Secretary],' he said.

Prince Charles expressed an interest in Khalili's collection and in 1992 he backed the idea of an Islamic museum and cultural centre in London as envisaged by Khalili. 'I am very pleased to offer my warmest support and encouragement to this important initiative,' he said.

The proposed deal never materialised. But it left art experts decidedly sceptical and some suspected that Khalili was trying to get the taxpayer to support his art dealing. 'What he wanted was the government to provide a gallery in Central London

who went to the top of the ladder by destroying those beneath him,' he said. 'I never cheated anybody.'

A measure of Khalili's wealth and status was his purchase in 1995 of the 15-bedroom 55,000sq ft mansion at 18-19 Kensington Palace Gardens for £30 million. No 18 used to be part of the Russian embassy; No 19 was the Egyptian embassy. Khalili bought both and over the next three years spent £21.5 million transforming the property into the grandest home in London. Its walls and floors were clad in 9,000sq ft of marble, some of it from the same quarry as that used for the Taj Mahal. One of the reception rooms was lined with inlaid marble panels depicting the 12 months of the year. Much of the decoration was inspired by Islamic art; in the basement was a massive Turkish bath and the floors were covered with Turkish carpets.

But curiously, Khalili remained in his nine-bedroom house in Mayfair. The reason, according to property sources, is that he planned to sell the property to Prince Jefri Bolkiah, the younger brother of the Sultan of Brunei (who owns two properties in the street). A businessman told ES that he was shown round the house by a property advisor to the Brunei royal family who confirmed this arrangement.

In the mid-Nineties, Prince Jefri was engaged in one of history's most extravagant spending sprees, notably the royal jewellers Asprey & Garrard for £250 million. Everyone from sports car dealers to yacht brokers produced ever more extravagant items to offer the Royal. Many of the alterations to 18-19 Kensington Palace Gardens were believed to have been implemented with Prince Jefri in mind. But in the late Nineties, Prince Jefri's spending came to an abrupt halt. Amedeo, a telecommunications company that he owned, collapsed with reported debts of £12 billion. Soon after, the Sultan sacked his brother as head of the Brunei Investment Agency, which managed the nation's foreign assets, amid allegations that Prince Jefri had misappropriated £20 billion of state funds.

After an out-of-court settlement between the Sultan and his brother, Prince Jefri was forced to

relinquish his assets, many of which were sold in an auction in London in 2001. Khalili retained ownership of 18-19 Kensington Palace Gardens and immediately placed the house on the market.

Today, Khalili lives in a smaller but no less grand townhouse in Mayfair within walking distance of Annabel's, where he is frequently seen late at night. The property's ownership is opaque and mysterious: the 'owner' is an entity called La Cienega Establishment which is incorporated in Liechtenstein.

Khalili's main commercial vehicle is Favermead Ltd. The directors are all members of his family: his wife Marion and his three sons. Other directors have included Lord Charles Guthrie, who was Chief of the Defence Staff (1997-2001).

Khalili is also connected to several powerful figures through his brief involvement in Jewish Continuity, a charity set up in 1993 by Chief Rabbi Sir Jonathan Sacks in response to a decline in religious and ethnic identification among British Jews. The charity was supported by a number of wealthy British Jews while Khalili was a director. They included Sir Victor Blank, now chairman of Lloyds; property tycoon Cyril Stein; Lord Levy, former Labour fundraiser and envoy to the Middle East; Lord Woolf, then Lord of Appeal and later Lord Chief Justice; and Lord Young, former Conservative Trade and Industry Secretary.

In 1997, Khalili resigned from the board of Jewish Continuity, but has remained keen on cultivating the great and the good in British society, notably Sir Robert Wade-Gery, former deputy secretary of the Cabinet who was a director of the Nour Foundation. His chief promoter has always been Lord Young, a former businessman appointed to the Thatcher Cabinet. 'From my knowledge, I am quite sure that it [Khalili's wealth] comes from legitimate sources,' he once said.

Khalili also knew Tony Blair. In 2004 the Department for Constitutional Affairs took soundings for Khalili to be given a honorary knighthood, but it never materialised. He knew Blair through Lord Guthrie, who was often regarded as the Prime Minister's favourite military man with whom he was in daily contact during the wars in Afghanistan and Kosovo.

As for the softly spoken Khalili, he remains immensely proud of his collection and his reputation as a cultural ambassador of Islam despite being Jewish. 'I am Jewish, but I consider the Muslims my cousins,' he once said. He continues exhibiting; his next exhibition of Islamic art is in Paris at the Institut du Monde Arabe in October. He is defiantly dismissive of the claims about secret benefactors of his works of art and says that the financial rewards are of little interest.

In one interview he came close to addressing the mystery and intrigue that lies behind the Dr David Khalili collection: who really owns it. 'The question of value is irrelevant,' he said. 'Nothing belongs to anyone for ever: we are all temporary custodians. If you are here to be the custodian of a certain tradition, let it be.' ■

He spent £21.5 million transforming it into the grandest home in London

where the collection would be displayed for 15 years,' said Anna Somers Cocks, editor of *The Art Newspaper*. 'During that time the taxpayer would have to pay all the expenses, including a hefty insurance bill, and at the end of the 15 years he would decide what happened to it. There is no guarantee that it would go to the nation and he stipulated that during the time it was on display he reserved the right to carry on dealing in any of the pieces. I am not convinced that his [collection] is everything that some people claim it is. While it is strong in manuscripts, it is not strong in textiles and metalwork. And there are questions over the value.'

It is possible that one of the reasons the government refused Khalili's offer was that officials in the National Heritage Department could not establish how he had assembled his collection so quickly. But Khalili denied there was any controversy surrounding his collection. 'I was not one of those people